

**SCHOOL DISTRICT
OF
SALEM COUNTY SPECIAL SERVICES**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

Salem County Special Services Board of Education

Salem County, New Jersey

For the Fiscal Year Ended June 30, 2014

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Prepared by

John Bolil

School Business Administrator/Board Secretary

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OF THE SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
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INTRODUCTORY SECTION

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT

John R. Swain

Superintendent

Phone (856)769-0101 Fax (856) 769-3602

John Bolil

Business Administrator

Phone (856) 358-7091 ext. 4313 Fax (856) 358-6748

November 18, 2014

Honorable President and

Members of the Board of Education

Salem County Special Services School District

PO Box 126

Woodstown, New Jersey 08098

The comprehensive annual financial report of the Salem County Special Services School District for the fiscal year ended June 30, 2014, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the final position and results of operations of the various funds and the account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit information. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996; the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on internal control and compliance with applicable laws and regulations and findings and recommendations, is included in the single audit section of this report.

- 1. REPORTING ENTITY AND ITS SERVICES:** Salem County Special Services School District is an independent reporting entity within the criteria adopted by the GASB as established by Statement No. 14. All funds of the District are included in this report. The Salem County Special Services Board of Education and all its schools constitutes the District's reporting entity.

The District provides a full range of special educational services for children from birth to age 21. The following programs during the 2013-2014 school year included, alternative high and middle schools, behavior disabilities, transitional career programs, Pre-school, multiply-disabilities, cognitive, autistic, and deaf and hearing impaired. The following details the changes in the student enrollment of the last five years. This includes the addition of 132 students in the 2013-14 school year.

Average Daily Enrollment		
Fiscal Year	Student Enrollment	Percent Change
2013-14	286.0	84.99%
2012-13	154.6	-4.09%
2011-12	161.2	0.19%
2010-11	160.9	15.18%
2009-10	139.7	17.59%

2. **ECONOMIC CONDITION AND OUTLOOK:** The Salem County Special Services School District is located in a beautiful rural and agricultural county in southwestern New Jersey and conveniently located near Wilmington, Delaware and Philadelphia, Pennsylvania. The county is home to many small businesses, farms, and some industry. Major employers are PSEG, Dupont, the hospitals, County Government and the school districts. The county is rich in historical and cultural heritage. It is a small county with approximately 65,400 residents. Because of its small size, the need for community-based services is great. Opportunity abounds for creating such services, especially for the under age 18 populations, which comprises approximately 26 percent of the populations. The District has also expanded to serve neighboring Cumberland County, which is larger and much more populous. There are unlimited opportunities to serve the communities and school districts of Cumberland County. Even with its larger size and much greater student populations, Cumberland County has neither a special services school district nor an educational services commission. Therefore, the District is uniquely positioned to foster collaborative relationships with the school districts of that county. The district does receive some support from the Freeholders of both counties.
3. **MAJOR INITIATIVES:** The mission of the Salem County Special Services School District continues to provide a thorough and efficient education for students with modeled to severe disabilities. It is currently a regional educational service agency that provides high quality and cost effective programs and services to the schools and districts of Salem and Cumberland Counties. The ongoing mission is accomplished through the efforts of administrators and staff who are dedicated to meeting the cognitive, emotional, and social needs of each student and to seeing that each student reaches his or her fullest potential. In addition, Salem County Special Services School District embraces the concept of shared services for the purpose of maximizing efficiencies and minimizing cost. Among current services provided through a series of inter-local agreements are child study teams, related services, business administrator/board secretary, and superintendent. Finally, Salem County Special Services School District continuously monitors the emergent needs of districts in and around Salem and Cumberland Counties and provides leadership and strategies to address those needs in a manner consistent with the goals and objectives of the entire regional educational community.

Continued focus on instruction and teacher effectiveness through professional development and teacher evaluation continue to be an initiative within the district. The Danielson model was chosen for teacher evaluation and professional development was given to administration as to its use. Full implementation of this model took place during the 2013-2014 school year. The latter half of the year was spent exploring a new evaluation model for administrators. Instructionally, the district was trained and began work on the development and implementation of Student Growth Objectives (SGO's) and Student Growth Percentiles (SGP's).

The 2013-2014 school year continued with several initiatives that enhanced the educational programming in the district. The lower functioning ASD program was moved to the Salem Campus to make a move towards providing parallel programs in both counties. The higher functioning ASD program was moved from Pittsgrove Middle School to Upper Pittsgrove Elementary in order to form a cohesive K-8 team providing mainstream opportunities as students are ready. The district continued to expand higher and lower Transitional Career Programs with increased community based opportunities, job shadowing, etc. for students. This included work with Salem County ARC and numerous businesses. There continued to be growth in all programs at both the Cumberland and Salem Campuses. There was restructuring of Related Services and Child Study Team programs in order to continue to provide high quality services to the schools we serve and solidify our base before expanding to more schools and services in the Salem and Cumberland County area. A continued emphasis was placed upon opportunities for parent participation through open houses, yoga shows, Special Olympics, end of school barbecue, etc.

A new relationship with Apple Farm was formed to provide fine and performing art experience which aided in the enhancing of programming. During the 2013-2014 school year the Alternative High School began a relationship with the Bridgeton School District to provide ten students with an education. Mid-way through the relationship the program was expanded to accept fifteen students. During this expansion, extra rooms were rented to meet the needs. Future expansion will be to accommodate twenty students and evaluate the current site. The Alternative Middle- High School also saw an increased enrollment from the Pennsville School District. Nova Net (an internet based curriculum) was fully implemented at the Alternative Middle/High School and focus has been emphasized to adapt the vocational curriculum to meet the needs of the students there. The initiatives have been extremely successful for students making up failed classes from the past and getting back on track to graduate on time.

In closing, the Special Services School District continues to provide quality educational services throughout Cumberland and Salem Counties and will continue to explore and implement programming as needs throughout the two counties warrant them.

4. **INTERNAL ACCOUNTING CONTROLS:** Management of the District is responsible for establishing and maintaining internal control designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with the generally accepted accounting principles (GAAP). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgements by management.

As a recipient of federal awards and state financial assistance, the District also is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. This internal control process is also subject to periodic evaluation by the District's management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of internal control, including that portion related to federal awards and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

5. **BUDGETARY CONTROLS:** In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of School Estimates. Annual appropriated budgets are adopted for the general fund and the special revenue fund; there is no debt service fund. The final budget amount as amended for fiscal year 2014 is reflected in the financial section.

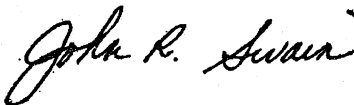
An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either cancelled or are included as reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2014.

6. **ACCOUNTING SYSTEM AND REPORTS:** The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board

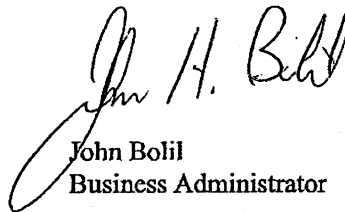
(GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to Financial Statements", Note 2.

7. **CASH MANAGEMENT:** The investment procedure of the District is guided in large part by state statute as detailed in "Notes to the Financial Statement", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
8. **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, hazard and theft insurance on property and contents and fidelity bonds.
9. **OTHER INFORMATION:** Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. Raymond Colavita, C.P.A., R.M.A. of Nightlinger, Colavita & Volpa, P.A. was selected by the Board's audit committee. In addition to meeting the requirements set forth in the state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditor's report on the basic financial statements and supplementary schedules of expenditures of federal awards and state financial assistance is included in the financial section of this report.
10. **ACKNOWLEDGEMENTS:** We would like to express our appreciation to the members of the Salem County Special Services District Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby continuing their full support to the development and maintenance of our financial operation. The presentation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,



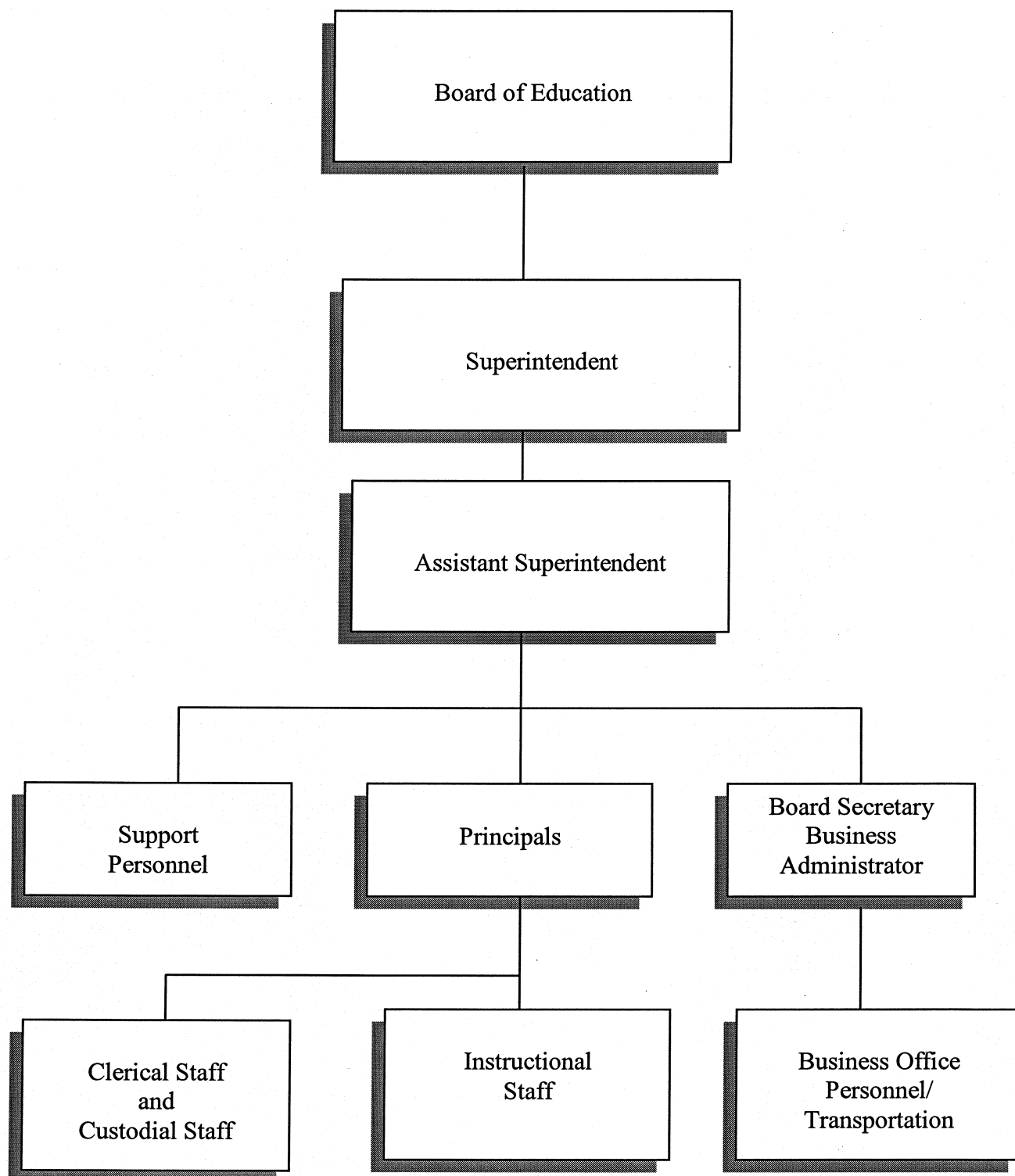
John R. Swain
Superintendent of Schools



John Bolil
Business Administrator

SALEM COUNTY SPECIAL SERVICES BOARD OF EDUCATION

Organizational Chart (Unit Control)



SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SALEM COUNTY, NEW JERSEY

ROSTER OF OFFICIALS

JUNE 30, 2014

<u>MEMBERS OF THE BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
David Moffett, President	2015
Earl Ransome, Vice President	2016
James Davis	2014
Nicole Stemberger, ex officio	2014
Linwood Donelson III	2016
Mary Cummings	2015
Richard Stepura - Executive County Superintendent of Schools	2014
<u>OTHER OFFICIALS</u>	<u>Surety Bonds</u>
John R. Swain, Superintendent	
John Bolil, Board Secretary/Business Administrator From December, 2013	\$ 10,000
Treasurer	150,000

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SALEM COUNTY, NEW JERSEY

CONSULTANTS AND ADVISORS

ARCHITECT

Garrison Architects
14000F Commerce Parkway
Mount Laurel, New Jersey 08054

AUDIT FIRM

Raymond Colavita, CPA, RMA
Nightlinger, Colavita and Volpa, P.A.
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Moorestown, NJ 08057

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OFFICIAL DEPOSITORY

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Mantua, New Jersey 08051

FINANCIAL SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

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Williamstown, NJ 08094

(856) 629-3111
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November 18, 2014

INDEPENDENT AUDITOR'S REPORT

Honorable President and
Members of the Board of Education
Salem County Special Services School District
County of Salem, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Salem County Special Services School District in the County of Salem, State of New Jersey, as of and for the fiscal year ended June 30, 2014, which collectively comprise the Salem County Special Services School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Salem County Special Services Board of Education in the County of Salem, State of New Jersey, as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Management Discussion and Analysis and Budgetary Comparison Information on pages 11 through 19 and 53 through 57 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Salem County Special Services Board of Education's financial statements as a whole. The introductory section, combining fund financial statements and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards and state assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedure applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2014 on our consideration of the Salem County Special Services Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governments Auditing Standard and should be considering in assessing the results of our audit.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

A handwritten signature in black ink, appearing to read "Raymond Colavita", written in a cursive style.

Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant
No. 915

REQUIRED SUPPLEMENTARY INFORMATION – PART I

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SALEM COUNTY SPECIAL SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

UNAUDITED

The discussion and analysis of Salem County Special Services School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance. The Salem County Special Services District is considered a Component Unit of Salem County.

Financial Highlights

Key financial highlights for 2014 are as follows:

- ❖ General revenues accounted for \$7,158,692 in revenue or 48.1 % percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$7,726,354 or 51.9 % percent to total revenues of \$14,885,046.
- ❖ Net position of governmental activities increased by \$769,959, comprised primarily of changes in cash and cash equivalents, liabilities and capital assets, along with a fixed asset adjustment.
- ❖ The School District had \$13,842,889 in expenses. Of these expenses, \$7,726,354 was offset by program specific charges for services, grants or contributions. General revenues (primarily tuition charges) were adequate to provide for these programs.
- ❖ The General Fund had \$8,065,499 in revenues, \$7,440,560 in expenditures and a transfer to the enterprise fund of \$28,872. The General Fund's balance increased by \$596,067 over 2013. This increase was anticipated by the Board of Education.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Salem County Special Services School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School district's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of Salem County Special Services School District, the General Fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School district as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's Net Position and changes in those assets. This change in net position is important because it tells the reader that, for the school district as a whole, the financial positions of the School district has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the current laws and regulations in New Jersey regarding special education, facility condition and availability, sending districts' need for varied programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- ❖ **Governmental activities** – All of the School District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- ❖ **Business – Type Activities** – This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service enterprise fund along with the Shared Services enterprise fund is reported as business activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major (all) funds begins on page 21. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. Salem County Special Services School District is unique because in addition to the major governmental funds of the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund there is a series of Enterprise funds entitled Shared Services

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School district's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore these statements are essentially the same.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a comparative summary of the School District's Net Position for the years ended 2014 and 2013.

Table 1
Net Position

	<u>2014</u>	<u>2013</u>
Assets		
Current and Other Assets	\$ 3,432,374	\$ 2,947,923
Capital Assets, Net	5,706,980	5,492,154
Total Assets	<u>9,139,354</u>	<u>8,440,077</u>
Liabilities		
Other Liabilities	777,758	1,601,605
Long-term Liabilities	95,363	82,163
Total Liabilities	<u>873,121</u>	<u>1,683,768</u>
Net Position		
Invested in capital assets, net of debt	5,706,980	5,409,991
Restricted	100,210	127,879
Unrestricted	2,459,043	1,218,439
Total Net Position	<u>\$ 8,266,233</u>	<u>\$ 6,756,309</u>

Table 2 shows the changes in Net Position from fiscal years 2014 and 2013.

Table 2 - Changes in Net Position

	<u>2014</u>	<u>2013</u>
Revenues		
Programs revenues		
Charges for services	\$ 6,721,772	\$ 7,612,115
Operating grants and contributions	1,004,582	1,151,991
General Revenues		
County taxes	241,875	275,000
Tuition	6,884,244	4,531,572
Other	32,573	144,160
Total Revenues	<u>14,885,046</u>	<u>13,714,838</u>
Program Expenses		
Instruction	2,530,644	1,958,322
Support Services		
Pupils and instructional staff	773,586	621,856
General administration, school		
administration, business	937,982	781,901
Operations and maintenance of Facilities	518,957	450,729
Pupil Transportation	62,599	44,474
Employee Benefits	2,672,058	2,274,698
Enterprise Funds		
Food Service	112,827	84,634
Other Shared Service Funds	5,953,561	7,172,481
Other	280,675	196,756
Total Expenses	<u>13,842,889</u>	<u>13,585,851</u>
Excess of Revenues over Expenditures	1,042,157	128,987
Fixed Asset Adjustment	467,767	
Increase in Net Position	<u>\$ 1,509,924</u>	<u>\$ 128,987</u>

Governmental Activities

As a special services school district, the budget is approved by the Salem County Freeholders. The District's total governmental net revenues were \$7,158,692 for the fiscal year ended June 30, 2014, which excludes the transfer of \$28,872 to the Enterprise Fund. County taxes made up 3.4% of revenues for governmental activities for fiscal year 2014. Tuition charges accounted for \$6,884,244, or 96.2% of total governmental activity revenue. and Miscellaneous revenue accounted for another .4%.

The total cost of all program and services was \$13,842,889. Instruction costs of \$2,530,644 comprised 18.3% of District Governmental Activity expenses. Student support costs were \$773,586 or 5.6%, administration costs were \$937,982 or 6.8%, plant operation costs were \$518,957 or 3.7%, transportation costs were \$62,599 or .4%, Employee benefits of \$2,672,058 represents 19.3, enterprise costs of \$6,066,388 were 43.9% and other costs of \$280,675 were 2%.

Business-Type Activities

Revenues for the District's business-type activities (food service program and other enterprises) were comprised of charges for services and federal and state reimbursements.

- ❖ Food service expenses exceeded revenues by \$50,786 and combined other enterprise fund revenues exceeded expenses by \$761,879. In addition, there was a transfer from the General Fund in the amount of \$28,872 to the food service enterprise fund.
- ❖ Federal and state reimbursements for free and reduced meals were \$55,709.
- ❖ Charges for food services were \$6,332 or 10.2% of total food service revenue. This represents amount paid by patrons for daily food services.
- ❖ Revenue for other enterprises was \$6,715,440 consisting of \$545,758 in N.J. Dept. of Human Services fees, \$2,894,284 in tuition, \$3,086,072 in services provided other LEA's and \$189,326 in Non-public program fees.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows a comparison of the total cost of services and the net cost of services. The net cost shows the financial burden assumed. County taxes represent 3.4 % of the total governmental activity revenues, while tuition charges represents 96.1 % and other miscellaneous revenues was .5%.

Table 3

	<u>Total Cost of Services 2014</u>	<u>Net Cost of Services 2014</u>	<u>Total Cost of Services 2013</u>	<u>Net Cost of Services 2013</u>
Instruction	\$ 2,530,644	\$ 2,488,578	\$ 1,958,322	\$ 1,953,671
Support services				
Pupils and instructional staff	773,586	773,586	621,856	621,856
General administration, school administration, business	937,982	937,982	781,901	781,901
Operation and maintenance of facilities	518,957	518,957	450,729	450,729
Pupil Transportation	62,599	62,599	44,474	44,474
Employee Benefit Costs	2,672,058	1,765,251	2,274,698	1,186,732
Other	280,675	280,675	196,756	196,756
Total Expenses	<u>\$ 7,776,501</u>	<u>\$ 6,827,628</u>	<u>\$ 6,328,736</u>	<u>\$ 5,236,119</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

General administration, school administration and business include expenses associated with administrative and financial supervision of the District.

Operation and maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition.

Curriculum and staff development includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Extracurricular activities includes expenses related to student activities provided by the School district which are designated to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the School District.

Other includes unallocated depreciation and amortization.

The School District's Funds

Information about the School District's major funds starts on page 20. These funds are accounted for using the modified accrual basis of accounting. All governmental funds (i.e., general fund, special revenue fund and capital projects fund presented in the fund-based statements) had total revenues of \$8,107,565 and expenditures of \$7,510,360. The net positive/negative change in General fund balance for the year was a increase of \$568,333 that included a transfer to the enterprise funds in the net amount of \$28,872. This increase shows that the School District was not able to meet current operating costs. The District may have the need for additional funds in the near future.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds (excluding capital projects) for the fiscal year ended June 30, 2014, and the amount and percentage of increases in relation to prior year revenues.

Revenue	Amount	Percent of Total	Increase/ (Decrease) from 2013	Percent Increase (Decrease)
Local Sources	\$ 7,160,648	88.3%	\$ 2,205,265	45%
Federal Sources	40,110	0.5%	40,110	100%
State Sources	906,807	11.2%	(181,159)	-17%
Total	\$ 8,107,565	100.0%	\$ 2,064,216	34%

The increase in Local Sources is attributed to increases in tuition revenue of \$2,352,672 and interest revenue of \$585, offset by decreases in the county tax levy of \$33,125 and miscellaneous revenue of \$114,867.

The increase in Federal Sources is attributed to the Federal REAP grant award being given to the school district for the 2013-2014 school year.

The decrease in State Sources is attributed to decreases in on-behalf pension contributions and social security reimbursements of \$181,159.

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2014. This excludes the Capital Project Fund.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease from 2013</u>	<u>Percent Increase (Decrease)</u>
Current:				
Instruction	\$ 2,530,644	34%	\$ 572,322	29%
Undistributed expenditures	4,951,982	66%	751,652	18%
Capital Outlay	27,734	0%	27,734	100%
Total	<u>\$ 7,510,360</u>	<u>100%</u>	<u>\$ 1,351,708</u>	<u>22%</u>

The increase in Instruction is attributed to the increases in salaries of teachers and related benefit costs, along with other variances.

The increase in Undistributed Expenditures is attributed to increases in student and instruction related costs of \$151,730, school administrative and central service expenses of \$30,270, information technology service expenses of \$27,649, plant operations and maintenance of \$68,228, employee benefits of \$357,488, general administrative expenses of \$98,162 and transportation costs of \$18,125.

The increase of \$27,734 in capital outlay is attributed to capital expenditures for building improvements made during the current year.

General Fund Budgeting Highlights

The School District's Budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting. The most significant budgeted fund is the General Fund.

During the course of the fiscal year 2014, the School District amended its General Fund budget as needed. The School District uses program based budgeting and these budgeting systems are designed to tightly control total program budgets while providing flexibility for program management in the following areas.

- ❖ Staffing changes based on student needs.
- ❖ Additional costs for student transportation both in regular education and special education.
- ❖ Accounting changes in maintenance and operations
- ❖ Changes in appropriations to prevent budget overruns.

While the District's final general fund budget anticipated that revenues (including fund balance appropriated) and expenditures would roughly equal, the actual results for the year show an excess of \$596,067.

- ❖ Actual revenues were \$426,391 more than expected, due to additional tuition revenue of \$511,943, miscellaneous income of \$20,475 and interest of \$2,098, offset by a decrease in the County Tax Levy of \$108,125. This excludes On-Behalf pension and social security state aid of \$906,807.
- ❖ The actual expenditures were \$168,403 lower than expected, excluding the state On-Behalf pension and social security aid of \$906,807. Positive variances were noted on several budget expenditure line items.

Capital Assets

At the end of the fiscal year 2014, the School District had \$5,706,980 invested in land, buildings, furniture and equipment. Table 4 shows fiscal 2014 balances compared to 2013.

Table 4
Capital Assets (Net of Depreciation) at June 30

	<u>2014</u>	<u>2013</u>
Land	\$ 50,000	\$ 50,000
Land Improvements	30,006	5,700
Building and Improvements	5,594,385	5,402,405
Machinery and Equipment	32,589	34,049
Totals	<u>\$ 5,706,980</u>	<u>\$ 5,492,154</u>

Overall capital assets increased \$214,826 from fiscal year 2013. The increase represents a Building Improvements in the amount of \$27,734 and a fixed asset adjustment in the amount of \$467,767, offset by depreciation expense of \$280,675 in the governmental activities.

Debt Administration

At June 30, 2014, the School District had \$95,363 in outstanding debt, which was comprised of compensated absences.

For the Future

The Salem County Special Services School District is currently in good financial condition on a budget basis, but is facing cash flow issues due to the timing of payments received by other districts for services rendered. District administration is currently working on implementing several new strategies in order to increase cash flowing into the district on a more regular basis.

The District is fully dedicated to the concept of shared services realizing that collaborative arrangements maximize both efficiency and effectiveness. During the 2013-2014 school year, the Salem County Special Services School District provided shared services in the areas of child study team, related services, business administration/board secretary, and superintendent.

The 2013-2014 year saw services to non-public schools eliminated as revenues continued to decrease and in some cases run in deficit. After a thorough analysis and discussion with the Board of Education it was determined that the feasibility of continuing to operate these services would incur debt to the district in the future.

During 2013-2014, the district continued operating the Cumberland Campus. The district continued offering classes for autistic children in that facility but has continued to expand its services. Now the building houses approximately 90 students, including ASD, MH, PSD classes and a Transitional Career Program. The pre-vocational program for high school aged students with autism that is built around exposure to career clusters. The Child Study Team and Related Services were relocated to another location at Salem County Vocational-Technical School so that additional classroom space could be utilized for developing programs.

The District continues to operate the Salem County Alternative High School and Alternative Middle School. Both have grown in numbers and appears stable. The district is now renting expanded space at the John P. Campbell Center but is exploring a more cost efficient and educationally conducive alternatives. The Alternative high School continues to grow and is led by experienced administration and staff. The Alternative Middle School, however, seen a slight drop in numbers but the district but anticipates an increase in the future.

In conclusion, the Salem County Special Services School District will continue to dialogue with local districts in Salem and Cumberland Counties to monitor existing programs and to determine how best to meet emergent needs that are in alignment with the district's mission.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information please contact John R. Swain, Superintendent of Schools at Salem County Special Services Board of Education, 880 Route 45, PO Box 126 Woodstown, NJ 08098 or email jswain@scvts.org.

BASIC FINANCIAL STATEMENTS

DISTRICT WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the District.

These statements include the financial activities of the overall District, except for fiduciary activities.

Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 897,562	\$ 1,027,803	\$ 1,925,365
Receivables, Net	57,207	1,192,850	1,250,057
Interfund Receivable	15,940		15,940
Restricted Assets:			
Cash and Cash Equivalents	241,012		241,012
Capital Assets, Net (Note 5)	5,706,980		5,706,980
	<u>6,918,701</u>	<u>2,220,653</u>	<u>9,139,354</u>
LIABILITIES			
Accounts Payable	172,304	33,543	205,847
Cash Overdraft		419,243	419,243
Unearned Revenue	11,656		11,656
Accrued Employee Benefits	141,012		141,012
Non-current Liabilities (Note 6):			
Due Beyond One Year	95,363		95,363
	<u>420,335</u>	<u>452,786</u>	<u>873,121</u>
Net Position			
Invested in Capital Assets, Net of Related Debt	5,706,980		5,706,980
Restricted for:			
Year-end Encumbrances	100,000		100,000
Maintenance Reserve	210		210
Unrestricted	691,176	1,767,867	2,459,043
Total Net Position	<u>\$ 6,498,366</u>	<u>\$ 1,767,867</u>	<u>\$ 8,266,233</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Governmental Activities:						
Instruction:						
Special Education	\$ 2,530,644	\$	\$ 42,066	\$ (2,488,578)		\$ (2,488,578)
Support Services:						
Student & Instruction Related Services	773,586			(773,586)		(773,586)
General and Business Admin Services	234,695			(234,695)		(234,695)
School Administrative Services	321,197			(321,197)		(321,197)
Central Services	303,466			(303,466)		(303,466)
Administrative Info Tech. Services	78,624			(78,624)		(78,624)
Plant Operations and Maintenance	518,957			(518,957)		(518,957)
Pupil Transportation	62,599			(62,599)		(62,599)
Employee Benefits	2,672,058		906,807	(1,765,251)		(1,765,251)
Unallocated Depreciation	280,675			(280,675)		(280,675)
Total Governmental Activities	7,776,501		948,873	(6,827,628)		(6,827,628)
Business-type Activities:						
Food Service	112,827	6,332	55,709		(50,786)	(50,786)
Other Enterprise	5,953,561	6,715,440			761,879	761,879
Total Business-type Activities	6,066,388	6,721,772	55,709		711,093	711,093
Total Primary Government	\$ 13,842,889	\$ 6,721,772	\$ 1,004,582	(6,827,628)	711,093	(6,116,535)
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes, Net				241,875		241,875
Tuition Received				6,884,244		6,884,244
Investment Earnings				2,098		2,098
Miscellaneous Income				30,475		30,475
Fixed Asset Adjustment				467,767		467,767
Transfers - Enterprise Funds				(28,872)	28,872	
Total General Revenues, Special Items, Extraordinary Items and Transfers				7,597,587	28,872	7,626,459
Change in Net Position				769,959	739,965	1,509,924
Net Position—Beginning				5,728,407	1,027,902	6,756,309
Net Position—Ending				\$ 6,498,366	\$ 1,767,867	\$ 8,266,233

The accompanying Notes to Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund.

GOVERNMENTAL FUNDS

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT

BALANCE SHEETS

GOVERNMENTAL FUNDS

JUNE 30, 2014

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 265,947	\$	\$	\$ 265,947
Cash with Fiscal Agent	141,012			141,012
Federal Aid Receivable		40,110		40,110
Interfunds Receivable	676,009			676,009
Other Recivable	1,182			1,182
State Aid Receivable	15,915			15,915
Restricted Cash and Cash Equivalents	100,000			100,000
Total Assets	1,200,065	40,110		1,240,175
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	172,304			172,304
Interfund Payable		28,454		28,454
Unearned Revenue		11,656		11,656
Accrued Employee Benefits	141,012			141,012
Total Liabilities	313,316	40,110		353,426
Fund Balances:				
Restricted For:				
Maintenance Reserve	100,000			100,000
Assigned to Year-end Encumbrances	210			210
General fund	786,539			786,539
Total Fund Balances	886,749			886,749
Total Liabilities and Fund Balances	\$ 1,200,065	\$ 40,110	\$	

Amounts reported for *governmental activities* in the Statement of Net Position (A-1) are different because:

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$9,935,650 and the accumulated depreciation is \$4,228,670 (Note 5).

5,706,980

Long-term Liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 6).

(95,363)

Net Position of Governmental Activities

\$ 6,498,366

The accompanying Notes to Financial Statements are an integral part of this statement.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources:				
County Tax Levy	\$ 241,875	\$	\$	\$ 241,875
Tuition Charges	6,884,244			6,884,244
Interest on Investments	2,098			2,098
Federal Sources		40,110		40,110
Miscellaneous	30,475	1,956		32,431
Total - Local Sources	7,158,692	42,066		7,200,758
Other Sources:				
State Sources	906,807			906,807
Total Revenues	8,065,499	42,066		8,107,565
EXPENDITURES				
Current:				
Special Education Instruction	2,488,578	42,066		2,530,644
Support Services:				
Student & Instruction Related Services	773,586			773,586
General Administrative Expenses	234,695			234,695
School Administrative Expenses	321,197			321,197
Central Services	303,466			303,466
Administrative Information Tech Serv.	78,624			78,624
Plant Operations and Maintenance	518,957			518,957
Pupil Transportation	62,599			62,599
Employee Benefits	2,658,858			2,658,858
Capital Outlay			27,734	27,734
Total Expenditures	7,440,560	42,066	27,734	7,510,360
Excess (Deficiency) of Revenues over Expenditures	624,939		(27,734)	597,205
OTHER FINANCING SOURCES (USES)				
Transfers - Enterprise Funds	(28,872)			(28,872)
Total Other Financing Sources and Uses	(28,872)			(28,872)
Net Change in Fund Balances	596,067		(27,734)	568,333
Fund Balance—July 1	290,682		27,734	318,416
Fund Balance—June 30	\$ 886,749	\$	\$	\$ 886,749

The accompanying Notes to Financial Statements are an integral part of this statement.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Total Net Change in Fund Balances - Governmental Funds (from B-2)	\$ 568,333
Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:	
In the Statement of Activities, Compensated Absences represent an operating expense measured by the additional amount or decreased amount earned during the year. In the governmental funds, expenditures are based on the amount of resources used and paid.	
	(13,200)
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.	
Capital Outlays	27,734
Fixed Asset Adjustment	467,767
Depreciation expense	(280,675)
Proceeds from Debt Issues are a financing source in the governmental funds but not in the Statement of Activities. Incurring debt increases long-term liabilities in the Statement of Activities.	
Change in Net Position of Governmental Activities (A-2)	\$ 769,959

The accompanying Notes to Financial Statements are an integral part of this statement.

PROPRIETARY FUNDS

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-type Activities - Enterprise Funds		
	Food Service	Other Enterprise	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 21,914	\$ 1,637,504	\$ 1,659,418
Accounts Receivable:	15,322	1,177,528	1,192,850
Total Current Assets	37,236	2,815,032	2,852,268
Fixed Assets			
Equipment		47,523	47,523
Less: Depreciation		(47,523)	(47,523)
Total Fixed Assets			
Total Assets	37,236	2,815,032	2,852,268
LIABILITIES			
Current Liabilities:			
Accounts Payable	15,196	18,347	33,543
Interfund Payable	22,040	609,575	631,615
Cash Overdraft		419,243	419,243
Total Current Liabilities	37,236	1,047,165	1,084,401
Net Position			
Unreserved		1,767,867	1,767,867
Total Net Position	\$	\$ 1,767,867	\$ 1,767,867

The accompanying Notes to Financial Statements are an integral part of this statement.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-type Activities -		
	Enterprise Fund		
	Food Service	Other Enterprise	Total Enterprise
Operating revenues:			
Charges for Services:			
Daily Sales - Reimbursable Programs:	\$ 6,332	\$	\$ 6,332
N.J. Dept. of Human Services - Fees		545,758	545,758
Tuition		2,894,284	2,894,284
Non-Public School Program		189,326	189,326
Services Provided Other LEA's		3,086,072	3,086,072
Total Operating Revenue:	6,332	6,715,440	6,721,772
Operating Expenses:			
Salaries		3,803,529	3,803,529
Employee benefits		1,231,463	1,231,463
Meetings		400	400
Purchased Professional and Technical Services		77,486	77,486
Purchased Professional /Educ services		323,834	323,834
Purchased Professional Services		150,605	150,605
Purchased property services			
Rental of Buildings		134,946	134,946
Other purchased services		32,948	32,948
Communications Telephone		868	868
Supplies and materials		78,766	78,766
General Supplies	17,239		17,239
Travel		8,289	8,289
Cost of sales	95,588		95,588
Other objects		748	748
Required Maintenance:			
Cleaning /Repair /Maintenance		78,339	78,339
Utilities		15,794	15,794
Bad Debt Expense		15,546	15,546
Depreciation			
Total Operating Expenses	112,827	5,953,561	6,066,388
Operating Income (Loss)	(106,495)	761,879	655,384
Non-operating Revenues (Expenses):			
State Sources:			
State School Lunch Program	743		743
Federal Sources:			
National School Breakfast Program	19,447		19,447
Food Distribution Program	3,345		3,345
National School Lunch Program	32,174		32,174
Total Non-operating Revenues (Expenses)	55,709		55,709
Income (Loss) Before Contributions & Transfers	(50,786)	761,879	711,093
Transfers In (Out)	50,786	(21,914)	28,872
Change in Net Position		739,965	739,965
Total Net Position—Beginning		1,027,902	1,027,902
Total Net Position—Ending	\$	\$ 1,767,867	\$ 1,767,867

The accompanying Notes to Financial Statements are an integral part of this statement.

FIDUCIARY FUNDS

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Memorial Expendable Trust</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,092	\$ 25,891
Total Assets	<u>1,092</u>	<u>25,891</u>
LIABILITIES		
Interfunds Payable		15,940
Payable to Student Groups		9,560
Payroll Deductions and Withholdings		391
Total Liabilities		<u>\$ 25,891</u>
NET POSITION		
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 1,092</u>	

The accompanying Notes to Financial Statements are an integral part of this statement.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Memorial Expendable Trust</u>
ADDITIONS	
Contributions:	
Plan member	
Interest Income	\$ 1
Total additions	1
DEDUCTIONS	
Withdrawals from Investments	
Total Deductions	
Change in Net Position	1
Net Position—Beginning of the Year	1,091
Net Position—End of the Year	\$ 1,092

The accompanying Notes to Financial Statements are an integral part of this statement.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

A. Reporting Entity:

The Salem County Special Services School District is a Type I district located in the County of Salem, State of New Jersey. As a Type I district, the School District consists of appointed officials and is responsible for the fiscal control of the district. A superintendent is appointed by the board and is responsible for the administrative control of the district. The purpose of the district is to educate special needs students in Salem County. The enrollment at June 30, 2014 was 286 students.

The Agency is considered to be a "Component Unit" of the County Of Salem under GAAP. This determination is based on the oversight responsibility of the County, which manifests itself primarily in the selection of District Board members, the accountability on fiscal matters, the approval for debt authorizations and the determination of county tax provided by the county.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of Salem County Special Services School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB), unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This Statement provides for the most significant change in financial reporting over twenty years and is scheduled for a phase-in implementation period (based on amount of revenues) starting with fiscal years ending 2002 (for larger governments). In addition, the school district has implemented GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures* and GASB No. 54 *Fund Balance Reporting and Governmental Fund Type Descriptions*.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New Accounting Standards:

During fiscal year 2013, the district adopted the following GASB statements:

- GASB 62, *Codification of Accounting and Financial reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.
- GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect in a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.
- GASB 65, *Items Previously reported as Assets and Liabilities*, although not required to be implemented until next year, the District elected to apply the statement to the current year financial statements. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items were previously reported as assets and liabilities and recognize, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB 66, *Technical Corrections-2012, an Amendment of GASB Statements 10 and 62*, will be effective beginning with the year ending June 30, 2014. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions and No. 62, Codification of Accounting and Financial reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.
- GASB 67, *Financial Reporting for Pension Plans, an Amendment of GASB 25*, will be effective beginning with the year ending June 30, 2014. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision- useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces the requirements of Statement No. 25, *Financial reporting for Deferred Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No.50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The District does not expect this Statement to impact its financial statements.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New Accounting Standards:

- GASB 68, *Accounting and Financial reporting for Pensions*, will be effective beginning with the year ending June 30, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other state entities. This Statement replaces the requirements of Statement No.27, *Accounting for Pension Disclosures, and Local Governmental Employers*, as well as the requirements of Statement No.50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The District does not expect this Statement to impact its financial statements.
- GASB 69, *Government Combinations and disposals of Government Operations*, is effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements although no impact is expected.
- GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, is effective for periods beginning after June 15, 2013. This Statement's objective is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate for the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements although no impact is expected.

A. Basis of Presentation:

The District's basic financial statements consist of District-wide statements, including a statement of Net Position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

A. Basis of Presentation (Cont'd):

District-wide Statements: The statement of Net Position and the statements of activities display information about the financial activities of the overall district, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of Net Position presents the financial condition of the governmental and business-type activities of the District at the fiscal year end while the statement of activities presents a comparison between direct expenses and program revenues for each different business-type activity of the District and for each function of the District's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses—expenses of the District related to the administration and support of the District's programs, such as personnel and accounting—are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues.

Fund Financial Statements: During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category — *governmental*, *proprietary*, and *fiduciary* — are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting.

B. Fund Accounting:

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting (Cont'd):

GOVERNMENTAL FUND TYPE

The focus of governmental fund measurement is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The district reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the Capital Outlay sub-fund.

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund - As the district is a Type I district, all bonded debt is the direct obligation of the Board of Chosen Freeholders of the County of Salem.

PROPRIETARY FUND TYPE

The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the District:

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting (Cont'd):

PROPRIETARY FUND TYPE (CONT'D)

Enterprise (Food service) Funds - The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the District is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's Enterprise Funds are comprised of Food Service, Related Services, Alternative Middle and High School, Child Study, One on One Aides, Non-public Services, Summer Program, early Intervention, Business Services, and the Regional Day School.

These enterprise funds accounts for all revenues and expenses pertaining to their operations in a manner similar to private business enterprises. The stated intent is that the cost (Statement G-2) of providing services to students on a continuing basis is financed or recovered primarily through lesson charges.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net position) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund Equipment	12 Years
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Internal Service Fund - The Internal Service Funds account for all revenue and expenditures pertaining to goods or services provided to other local educational associations, or to other governmental units, on a cost-reimbursement basis. While the internal service funds revenues are intended to recoup expenses, they are accounted for essentially the same as private business enterprises.

The district does not maintain an internal service fund.

FIDUCIARY FUND TYPE

Fiduciary Funds include Expendable Trust, Nonexpendable Trust and Agency Funds. The measurement focus of the Expendable Trust Funds is the same as for governmental funds. The measurement focus of the Nonexpendable Trust Funds is similar to Proprietary Funds. Agency Funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The following is a description of the Fiduciary Funds of the School District:

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting (Cont'd):

FIDUCIARY FUND TYPE (CONT'D)

Trust and Agency Funds - The Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Expendable Trust Fund - An Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. The district maintains one Expendable Trust Fund named the Memorial Expendable Trust Fund.

Nonexpendable Trust Fund - A Nonexpendable Trust Fund is used to account for assets held under the terms of a formal trust agreement, whereby the District is under obligation to maintain the trust principal. The District does not maintain a Nonexpendable Trust Fund.

Agency Funds - Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds include payroll and student activities funds.

C. Basis of Accounting and Measurement Focus:

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

District-wide, Proprietary and Fiduciary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under the New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available.

The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Basis of Accounting and Measurement Focus (Cont'd):

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2 (m) 1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. The Board of Education did not make any material supplemental budgetary appropriations during the fiscal year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Schedule C-3 presents a reconciliation of the special revenue funds from the budgetary basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue and Debt Service Funds to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types.

E. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund, for which the District has received advances, are reflected in the balance sheet as unearned revenues at fiscal year end. The encumbered appropriation authority carries over into the next fiscal year.

An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

F. Tuition Receivable:

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined. The tuition adjustments related to the 2011-12 and 2012-13 fiscal years were computed based on the certified rates as provided by the New Jersey Department of Education and invoiced to the various sending districts. The district will recognize this adjustment in the next school year.

G. Tuition Payable:

Tuition charges for the fiscal years 2012-13 and 2013-14, if any, were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

H. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as an expenditure during the year of purchase.

On district-wide financial statements and in the Enterprise Fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2014.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

I. Short -Term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Assets, Liabilities and Equity:

Transactions - Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

Inventories - On district-wide financial statements and in the enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method and is expensed when used. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2014.

The Food Service Fund had no inventory on hand at June 30, 2014.

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1986, as revised) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements. The District received \$3,345 in federal commodities during the 2013-2014 school year.

Capital Assets - General fixed assets acquired or constructed during the year are recorded at actual cost. Donated fixed assets are valued at their estimated fair market value on the date received. The general fixed assets acquired or constructed prior to June 30, 2014 are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. General fixed assets are reflected as expenditures in the applicable governmental funds, and the related assets are reported in the general fixed assets account group. Expenditures that enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Assets in the general fixed assets account group are not depreciated.

Capital assets are depreciated in the district-wide financial statements using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Building	30-50
Building Improvements	20
Equipment	5-10

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

K. Compensated Absences:

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as expenditure and fund liability in the fund that will pay for the compensated absences. The remainder of the compensated absences liability is reported in the General Long-Term Debt Account Group.

In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

While it is the current policy of the Salem County Special Services School District not to compensate employees for vacation and sick leave upon termination, there are compensated absences reported in the amount of \$95,363 at June 30, 2014.

L. Unearned Revenue:

Unearned revenue in the special revenue fund represents cash that has been received but not yet earned.

M. Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

N. Allocation of Indirect Expenses:

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are not reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

O. Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

P. Long-term Obligations:

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Q. Other Fund Equity:

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

R. Comparative Data/Reclassifications:

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations. Also, certain immaterial amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

S. Management Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of revenues and expenditures/expenses during the reporting period. Accordingly, actual results could differ from those estimates.

T. Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the District-wide financial statements. Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

U. Net Position:

Net Position represents the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets.

Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position is available.

V. Fund Balance Reserves:

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

W. Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned.

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or for the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, interest, and tuition.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

W. Revenues – Exchange and Non-exchange Transactions (Cont'd):

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

X. Lease Acquisition Costs:

As part of any long-term lease agreement, providing for the use of school buildings, payments constituting professional lease acquisition and other related professional fees will be expensed when incurred in accordance with GASB Statement No. 65. There were no such leases for the year ended June 30, 2014.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity for any discount or premium. The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

Deposits: N.J.S.A. 17:9-41, et seq. require that school districts deposit public funds in public depositories located in New Jersey, which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits where the market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%. All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Investments: New Jersey statutes permit the Board to purchase the following types of securities:

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives, which have a maturity date no greater than twelve months from the date of purchase.
- c. Bonds of other obligations of the school district.

Custodial Credit Risk: All bank deposits and investments as of the balance sheet date are entirely insured or collateralized by a pool maintained by public depositories as required by the Governmental Unit Protection Act and are classified as to credit risk by the following three categories described below.

Custodial Credit Risk for deposits is the risk that, in the event of a bank failure, the districts deposits may not be returned to it. Although the district does not have a formal policy regarding custodial credit risk, as described in Note 1: N.J.S.A. 17:9-41 et. seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Protection Act.

The Board of Education designates and approves a list of authorized depository institutions based on an evaluation of solicited responses and presentation of GUDPA certifications provided by the financial institutions.

As of June 30, 2014, \$2,296,451 of the districts bank balance of \$2,546,451 was uninsured and exposed to custodial credit risk and collateralized under GUDPA.

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of June 30, 2014, the District did not have any funds on deposit with the New Jersey Cash Management Fund.

NOTE 4. CAPITAL RESERVE ACCOUNT

Capital Reserve Accounts may be established by New Jersey school districts for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. A capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget. Funds placed in the Capital Reserve Account are restricted to capital projects in the Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the NJ Department of Education, a district may increase the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. The District did not have a capital reserve account as of June 30, 2014.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Capital Assets that are not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Land Improvements	9,500		(9,500)	
Total Capital Assets not being Depreciated	<u>59,500</u>		<u>(9,500)</u>	<u>50,000</u>
Land Improvements			111,854	111,854
Building and Building Improvements	7,411,122	27,734	2,096,166	9,535,022
Machinery and Equipment	167,772		71,002	238,774
Totals at Historical Cost	<u>7,578,894</u>	<u>27,734</u>	<u>2,279,022</u>	<u>9,885,650</u>
Less Accumulated Depreciation for :				
Land Improvements	(3,800)	(5,360)	(72,688)	(81,848)
Building and Improvements	(2,008,717)	(258,095)	(1,673,825)	(3,940,637)
Equipment	(133,723)	(17,220)	(55,242)	(206,185)
Total Accumulated Depreciation	<u>(2,146,240)</u>	<u>(280,675)</u>	<u>(1,801,755)</u>	<u>(4,228,670)</u>
Total Capital Assets being Depreciated, Net of Accumulated Depreciation	5,432,654	(280,675)		5,656,980
Government activities capital assets, net	<u>\$ 5,492,154</u>	<u>\$ (252,941)</u>	<u>\$ 467,767</u>	<u>\$ 5,706,980</u>
				To A-1

Depreciation expense was charged to governmental functions
as follows:

Unallocated	<u>\$ 280,675</u>
-------------	-------------------

Business-Type Activities - Equipment	\$ 47,523	\$ -	\$ -	\$ 47,523
Less Accumulated Depreciation for :	(47,523)			(47,523)
Business-Type Activities Capital Assets - Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6. GENERAL LONG-TERM DEBT

During the fiscal year ended June 30, 2014, the following changes occurred in long-term obligations:

	Beginning			Ending	Amounts	
	Balance	Additions	Reductions	Balance	Due within	Long-term
					One Year	Portion
Governmental Activities:						
Bonds payable:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Liabilities:						
Obligations under capital lease						
Compensated absences payable	82,163	13,200		95,363		95,363
Total other liabilities	\$ 108,835	\$ 13,200	\$ -	\$ 95,363	\$ -	\$ 95,363
Business-Type Activities:						
Compensated absences payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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. **Bonds Payable** - Bonds are authorized in accordance with State law by the voters of the District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are general obligation bonds.

The Board of Special Services is a Type I School District under New Jersey Statutes. Therefore, all bonded debt is generally accounted for and anticipated to be financed by the County of Salem. The following is presented for "Memorandum Only" purposes.

Year Ending		Principal	Interest	Total
June 30				
2014-15	\$	240,000	\$ 233,700	\$ 473,700
2015-16		250,000	223,900	473,900
2016-17		260,000	213,700	473,700
2017-18		270,000	201,750	471,750
2018-19		285,000	187,875	472,875
2019-20		295,000	173,375	468,375
2020-21		310,000	158,250	468,250
2021-22		325,000	142,375	467,375
2022-23		340,000	125,750	465,750
2023-24		355,000	108,375	463,375
2024-25		370,000	90,250	460,250
2025-26		385,000	71,375	456,375
2026-27		405,000	51,625	456,625
2027-28		415,000	31,125	446,125
2028-29		415,000	10,375	425,375
Total	\$	4,920,000	\$ 2,023,800	\$ 6,943,800

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6. GENERAL LONG-TERM DEBT (CONT'D)

A. Bonds Payable (Cont'd) - In addition, the State of New Jersey will provide aid in the amount of 55.38% of the Debt Service on the County Bonds. The required payments by the District to the County pursuant to "A" above are subject to the availability and annual appropriation of sufficient funds required to meet the obligation.

B. Capital Leases - The District does not have any other capital leases at June 30, 2014.

NOTE 7. OPERATING LEASES

Two classrooms and related facilities were rented at the Upper Pittsgrove School for a one year period from July 1 to June 30 at a total cost of \$33,096. Six and one-half classrooms and related facilities were rented at Pittsgrove Township Middle School for a one year period from July 1 to June 30 at a total cost of \$107,562. On August 1, 2009, a lease was signed for the use of 4,400 square feet together with the use of bathroom facilities, a gymnasium, and common areas within the John B. Campbell Family & Fitness Center in Salem, New Jersey. The rental cost was \$87,876 for the period between August 1, 2012 and July 31, 2015. Offices were subleased in Pennsville, New Jersey from July 1 to June 30 for \$7,740.

Classroom space and related facilities was rented to Tri- County Head Start at the District's Cumberland Campus. Total revenue from this lease was \$12,450. Future minimum lease payments are as follows:

Year Ending June 30,	<u>Amount</u>
2015	\$ <u>81,029</u>
Total future minimum lease payments	\$ <u>81,029</u>

NOTE 8. MAINTENANCE RESERVE

The District has an approved maintenance reserve with a balance of \$100,000, which is in agreement with the Local Facilities Planning Document.

NOTE 9. PENSION PLANS

Description of Plans - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9. PENSION PLANS (CONT'D)

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation - P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which TPAF and PERS operate and to the benefit provisions of those systems.

The legislation's provisions impacting employee pension and health benefits include:

- For new members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS increased from age 62 to 65 for Tier 5 members.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9. PENSION PLANS (CONT'D)

Significant Legislation (Cont'd) -

- The annual benefit under special retirement for new PERS members enrolled after June 28, 2011 (Tier 3 members) decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the TPAF and PERS active member rates from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years for members hired or reappointed on or after June 28, 2011. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for TPAF and PERS members takes place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension system's unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost - of - living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

Three -Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/14	\$ 186,885	100%	\$ 186,885
6/30/13	172,446	100%	172,446
6/30/12	169,432	100%	169,432

Three -Year Trend Information for TPAF (Paid on-behalf of the District)

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/14	\$ 583,905	100%	\$ 0
6/30/13	711,912	100%	0
6/30/12	470,992	100%	0

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9. PENSION PLANS (CONT'D)

During the fiscal year ended June 30, 2014, the State of New Jersey contributed \$221,208 to the TPAF for Pension Contributions, \$362,697 for post-retirement benefits and nothing for normal contributions on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$322,902 during the year ended June 30, 2014 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the basic financial statements, and the combining and individual fund schedules as a revenue and expenditure in accordance with GASB 27.

NOTE 10. POST-EMPLOYMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2013, there were 100,134 retirees receiving post-retirement medical benefits and the State contributed \$1.07 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994 c 62. Funding of post retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

NOTE 11. COMPENSATED ABSENCES

The School District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the School District and its employees, is accrued as employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with the School District's personnel policies. Upon termination, employees are paid for accrued vacation. The School District's policy permits employees to accumulated unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the District for the unused sick leave in accordance with the District's agreement with the various employee unions.

In the district wide-Statement of Net Position, the liabilities whose average maturities are greater than one year should be reported in two components-the amount due within one year and the amount due in more than one year.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 11. COMPENSATED ABSENCES (CONT'D)

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2014, a liability existed for compensated absences in the General Fund of \$95,363 and none in the Food Service Fund.

NOTE 12. DEFERRED COMPENSATION

The Board offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators were Lincoln, Prudential, American General Life, ING, AFLAC, and Vanguard.

NOTE 13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The District maintains commercial insurance coverage for property, liability and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance - The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contribution Method". Under this plan, the District is required to transmit quarterly amounts to the New Jersey Unemployment Trust Fund to provide for benefits paid to its former employees and charged to its account with the State. The district does not maintain an expendable trust fund.

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Contributed to UC System</u>	<u>Ending Reserve Balance</u>
2013-2014	\$ 30,815	\$ 32,919	\$ 63,734	\$ -0-
2012-2013	27,776	29,487	57,263	-0-
2011-2012	23,598	25,052	48,650	-0-

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2014:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 676,009	\$
Special Projects Fund		28,454
Food Service		22,040
Trust and Agency Fund		15,940
Internal Service		609,575
Total	\$ 676,009	\$ 676,009

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 15. FUND BALANCE APPROPRIATED

Of the \$886,749 General Fund balance at June 30, 2014, \$210 is restricted for encumbrances; nothing has been appropriated and also included as anticipated revenue for the year ending June 30, 2014; \$100,000 is restricted for Maintenance Reserve and \$786,539 is unrestricted and unassigned.

NOTE 16. CALCULATION OF EXCESS SURPLUS

Special Services School Districts are subject to an excess surplus calculation in accordance with N.J.S.A. 18A:46-31 as amended. The New Jersey Department of Education will perform this calculation during its process of tuition rate certification. Therefore, no excess surplus, if applicable, is reflected in the financial statements.

NOTE 17. LITIGATION

The District is not involved in any lawsuit incidental to its operations and the administration and legal council are not aware of any matters pending or threatened, which are likely to have a material adverse effect on the financial position of the District.

**NOTE 18. MERGE OF THE SALEM COUNTY SPECIAL SERVICES BOARD OF
EDUCATION AND THE SALEM COUNTY VO-TECH BOARD OF EDUCATION**

Effective, July 1, 2009, the Salem County Board of Chosen Freeholders adopted a resolution to disband the Salem County Special Services Board of Education and the Salem County Vo-Tech Board of Education, instituting a new Board named "The Board of Education for the Vocational School District and the Special Services School District for the County of Salem".

NOTE 19. REGIONAL DAY SCHOOL FUND

During the prior year, various services previously maintained in the Regional Day School Fund of the Salem County Vocational Technical School, were transferred to the Salem County Special Services School District and it was necessary to reflect an intergovernmental charge, in order to reasonably match revenue against expenses in both school districts. In the 2013-14 school-year, the remaining activity, as well as the residual assets, were transferred from the Salem County Vocational Technical School Regional Day Fund to a separate fund in the Salem County Special Services School District.

NOTE 20. ACCOUNTS RECEIVABLES

Accounts Receivables at June 30, 2014 consisted of fees, tuition and grants are as follows:

	General Fund	Special Revenue Fund	Proprietary Fund
Receivables:			
Intergovernmental	\$ 15,915	\$ 40,110	1,163,894
Other	1,182		28,956
Total	<u>\$ 17,097</u>	<u>\$ 40,110</u>	<u>1,192,850</u>

End of Notes to Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2014

	<u>Original</u> <u>Actual</u>	<u>Transfers</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
Revenues:					
Local Sources:					
County Tax Levy	\$ 350,000	\$	\$ 350,000	\$ 241,875	\$ (108,125)
Tuition from LEA's	5,970,200	402,101	6,372,301	6,884,244	511,943
Interest on Investments				2,098	2,098
Unrestricted Miscellaneous Revenues	10,000		10,000	30,475	20,475
Total - Local Sources	6,330,200	402,101	6,732,301	7,158,692	426,391
State Sources:					
On-behalf TPAF Pension Contribution				221,208	221,208
On-behalf TPAF Post-Retirement Medical Contributions				362,697	362,697
Reimbursement TPAF Social Security				322,902	322,902
Total - State Sources				906,807	906,807
Federal Sources - Medicaid					
TOTAL REVENUES	6,330,200	402,101	6,732,301	8,065,499	1,333,198
EXPENDITURES:					
CURRENT EXPENSES:					
Special Education:					
Behavioral Disabilities:					
Salaries of Teachers	520,492	46,299	566,791	565,196	1,595
Other Salaries for Instruction	140,648	1,018	141,666	139,541	2,125
Purchased Professional - Educational Services	15,915	(7,731)	8,184	8,167	17
Purchased Technical Services	1,000	5,525	6,525	6,525	
Other Purchased Services	4,240	1,245	5,485	5,409	76
General Supplies	9,000	8,687	17,687	16,919	768
Other Objects	5,000	(1,629)	3,371	3,092	279
Total Behavioral Disabilities	696,295	53,414	749,709	744,849	4,860
Multiply Disabilities:					
Salaries of Teachers	477,375	74,285	551,660	550,777	883
Other Salaries for Instruction	220,796	8,580	229,376	227,670	1,706
Purchased Professional - Educational Services	183,655	(166,910)	16,745	16,641	104
Other Purchased Services	4,405	(402)	4,003	3,633	370
General Supplies	12,000	9,100	21,100	21,014	86
Other Objects	6,600	(1,497)	5,103	5,008	95
Total Multiply Disabilities	904,831	(76,844)	827,987	824,743	3,244
Autism:					
Salaries of Teachers	327,782	98,549	426,331	426,328	3
Other Salaries for Instruction	192,556	34,825	227,381	227,379	2
Purchased Professional - Educational Services	185,990	(182,142)	3,848	3,814	34
Purchased Technical Services	400	6,125	6,525	6,525	
Other Purchased Services	1,000	(172)	828	826	2
General Supplies	10,000	29,986	39,986	39,734	252
Other Objects	7,000	(788)	6,212	6,180	32
Total Autism	724,728	(13,617)	711,111	710,786	325
Preschool Disabilities - Full Time					
Salaries of Teachers	88,001	(10,980)	77,021	77,021	
Other Salaries for Instruction	35,089	(13,695)	21,394	21,316	78
Purchased Professional-Educational Services	38,330	(36,330)	2,000	2,000	
Purchased Technical Services		4,022	4,022	4,022	
Other Purchased Services	1,405	680	2,085	1,820	265
General Supplies	2,000	(800)	1,200	1,102	98
Other Objects	1,300	(1,100)	200	200	
Total Preschool Disabilities - Full Time	166,125	(58,203)	107,922	107,481	441

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2014
(CONTINUED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
Cognitive - Severe:					
Salaries of Teachers	\$ 131,069	\$ (51,443)	\$ 79,626	\$ 76,981	\$ 2,645
Other Salaries for Instruction		3,491	3,491	3,491	
Purchased Professional - Educational Services	80,660	(74,500)	6,160	6,073	87
Other Purchased Services	4,405	70	4,475	3,404	1,071
General Supplies	6,000	2,787	8,787	8,518	269
Other Objects	3,000	(686)	2,314	2,252	62
Total Cognitive Severe	225,134	(120,281)	104,853	100,719	4,134
Total Special Education	2,717,113	(215,531)	2,501,582	2,488,578	13,004
Total Instruction	2,717,113	(215,531)	2,501,582	2,488,578	13,004
Undistributed Expenditures:					
Attendance and Social Work Services					
Salaries	22,153	(5,901)	16,252	16,249	3
Other Purchased Services	8,073	(8,073)			
Total Attendance and Social Work Services	30,226	(13,974)	16,252	16,249	3
Health Services:					
Salaries	195,068	2,781	197,849	196,669	1,180
Purchased Professional and Technical Services	1,200	200	1,400	1,400	
Other Purchased Services	2,800	(1,477)	1,323	1,322	1
Supplies and Materials	14,800	(3,153)	11,647	11,647	
Total Health Services	213,868	(1,649)	212,219	211,038	1,181
Speech, OT, PT & Related Services					
Salaries	52,707	482,066	534,773	534,772	1
Purchased Professional Educational Services	5,324	1,127	6,451	6,451	
Total Related Services	58,031	483,193	541,224	541,223	1
Child Study Team					
Salaries of Secretarial and Clerical Assistants	3,129	(3,129)			
Total Child Study Teams	3,129	(3,129)			
Improvement of Instruction Services/Other Support Services- Instructional Staff					
Salaries of Secretarial and Clerical Assistants	3,129	(3,129)			
Supplies and Materials	500	(500)			
Other Objects	3,000	(3,000)			
Total Improvement of Instruction	6,629	(6,629)			
Educational Media Services: School Library					
Salaries	3,129	(3,129)			
Purchased Professional and Technical Services	10,900	(7,325)	3,575	3,575	
Total Educational Media Services	14,029	(10,454)	3,575	3,575	
Instructional Staff Training Services:					
Salaries of Secretarial and Clerical Assistants	3,129	(3,129)			
Purchased Professional - Educational Services	500	(500)			
Other Purchased Services	2,500	(999)	1,501	1,501	
Supplies and Materials	850	(850)			
Total Instructional Staff Training Services	6,979	(5,478)	1,501	1,501	

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2014
(CONTINUED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
Undistributed Expenditures: (Continued)					
Support Services - General Administration:					
Salaries	\$ 129,743	\$ 31,956	\$ 161,699	\$ 161,699	\$
Legal Services	10,500	29,364	39,864	36,071	3,793
Audit Fees	10,000	10,770	20,770	20,770	
Other Purchased Professional Services	65,000	(65,000)			
Communication/Telephone	5,000	(5,000)			
Other Purchased Services	7,077	1,827	8,904	8,630	274
General Supplies	5,500	(619)	4,881	4,795	86
BOE In-House Training/Meeting Supplies	100	(100)			
Miscellaneous Expenditures	3,600	(1,169)	2,431	2,431	
BOE Membership Dues and Fees	5,200	(4,901)	299	299	
Total Support Services - General Administration	241,720	(2,872)	238,848	234,695	4,153
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	394,076	(69,227)	324,849	195,205	129,644
Salaries of Secretarial and Clerical Assistants	99,908	1,559	101,467	101,467	
Other Purchased Services	22,217	(3,650)	18,567	17,483	1,084
Supplies and Materials	8,500	(2,320)	6,180	6,162	18
Other Objects	2,200	(1,320)	880	880	
Total Support Services - School Administration	526,901	(74,958)	451,943	321,197	130,746
Central Services					
Salaries	183,519	89,113	272,632	272,632	
Purchased Professional Services		140	140	140	
Purchased Technical Services	18,400	5,134	23,534	23,534	
Miscellaneous Purchased Services	2,000	(1,900)	100	100	
Supplies and Materials	2,500	4,500	7,000	6,950	50
Miscellaneous Expenditures	300	(190)	110	110	
Total Central Services	206,719	96,797	303,516	303,466	50
Admin. Info. Technology					
Salaries	49,296	10	49,306	49,305	1
Purchased Professional Services	3,000	778	3,778	3,778	
Purchased Technical Services	2,600	10,775	13,375	13,375	
Other Purchased Services	50	2,028	2,078	2,064	14
Supplies and Materials	1,275	8,865	10,140	10,102	38
Total Admin. Info. Technology	56,221	22,456	78,677	78,624	53
Total Central Services & Admin. Info. Technology	262,940	119,253	382,193	382,090	103
Required Maintenance for School Facilities					
Salaries	45,900	580	46,480	46,479	1
Cleaning, Repair, and Maintenance Services	66,748	(20,468)	46,280	46,088	192
General Supplies	16,100	(4,534)	11,566	11,545	21
Total Required Maintenance for School Facilities	128,748	(24,422)	104,326	104,112	214
Operation And Maintenance Of Plant Services:					
Salaries	1,565	(1,565)			
Purchased Professional and Technical Services	8,720	(2,090)	6,630	6,600	30
Cleaning, Repair and Maintenance Services	200,449	(22,165)	178,284	177,455	829
Rental - Other than Lease Purchase Agreements	51,650		51,650	51,600	50
Other Purchased Property Services	150		150		150
Insurance	39,107	(11,873)	27,234	27,234	
General Supplies	6,620	(3,880)	2,740	2,540	200
Energy (Electricity)	13,000	94,600	107,600	102,142	5,458
Energy (Natural Gas)	109,406	(96,506)	12,900	10,760	2,140
Energy (Oil)	31,970	(2,983)	28,987	28,726	261
Total Operation of Plant Services	462,637	(46,462)	416,175	407,057	9,118
Care and Upkeep of Grounds					
Cleaning, Repair and Maintenance Services	11,200	(2,578)	8,622	7,788	834
Total Operation And Maintenance of Plant Services	602,585	(73,462)	529,123	518,957	10,166

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2014
(CONTINUED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
Undistributed Expenditures: (Continued)					
Student Transportation Services					
Salaries - Other Than Between Home and School	\$ 7,823	\$ (7,823)	\$	\$	
Cont Services - Other than between Home and School - Vendors	55,000	12,343	67,343	62,599	4,744
Total Student Transportation Services	<u>62,823</u>	<u>4,520</u>	<u>67,343</u>	<u>62,599</u>	<u>4,744</u>
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	84,913	93,588	178,501	178,501	
Other Retirement Contributions - PERS	133,197	34,638	167,835	167,835	
Unemployment Compensation	14,000	18,668	32,668	32,667	1
Workers' Compensation	96,448	(7,796)	88,652	84,652	4,000
Health Benefits	1,187,219	76,801	1,264,020	1,264,019	1
Tuition Reimbursements	35,000	(10,323)	24,677	24,377	300
Other Employee Benefits	32,450	(32,450)			
Total Unallocated Benefits - Employee Benefits	<u>1,583,227</u>	<u>173,126</u>	<u>1,756,353</u>	<u>1,752,051</u>	<u>4,302</u>
On-behalf TPAF Non-Contributory Insurance (Non-budgeted)				221,208	(221,208)
On-behalf TPAF Postretirement Contributions				362,697	(362,697)
Reimbursed TPAF Social Security Contributions Not-Budgeted)				322,902	(322,902)
TOTAL ON-BEHALF CONTRIBUTIONS				<u>906,807</u>	<u>(906,807)</u>
TOTAL UNALLOCATED BENEFITS	<u>1,583,227</u>	<u>173,126</u>	<u>1,756,353</u>	<u>2,658,858</u>	<u>(902,505)</u>
TOTAL UNDISTRIBUTED EXPENDITURES	<u>3,613,087</u>	<u>587,487</u>	<u>4,200,574</u>	<u>4,951,982</u>	<u>(751,408)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>6,330,200</u>	<u>371,956</u>	<u>6,702,156</u>	<u>7,440,560</u>	<u>(738,404)</u>
CAPITAL OUTLAY					
Equipment:					
Instructional					
Total Equipment					
Facilities Acquisition and Construction Services:					
Total Facilities Acquisition and Construction Services					
TOTAL CAPITAL OUTLAY					
TOTAL EXPENDITURES	<u>6,330,200</u>	<u>371,956</u>	<u>6,702,156</u>	<u>7,440,560</u>	<u>(738,404)</u>
Excess (Deficiency) of Revenues and Other Over/(Under) Expenditures		<u>30,145</u>	<u>30,145</u>	<u>624,939</u>	<u>594,794</u>
Other Financing Sources (uses):					
Operating Transfers Out:					
Food Service - Transfer to Cover Deficit		(30,000)	(30,000)	(28,872)	1,128
Total Other Financing Sources (Uses)		<u>(30,000)</u>	<u>(30,000)</u>	<u>(28,872)</u>	<u>1,128</u>
Excess (deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>-</u>	<u>145</u>	<u>145</u>	<u>596,067</u>	<u>595,922</u>
Fund Balances, July 1	<u>290,682</u>		<u>290,682</u>	<u>290,682</u>	
Fund Balances, June 30	<u>\$ 290,682</u>	<u>\$ 145</u>	<u>\$ 290,827</u>	<u>\$ 886,749</u>	<u>\$ 595,922</u>
RECAPITULATION					
Restricted Fund Balance:					
Maintenance Reserve				\$ 100,000	
Assigned to:					
Year-End Encumbrances				210	
Unassigned Fund Balance				<u>786,539</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 886,749</u>	

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
AS OF JUNE 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources	\$ 1,119	\$ 902	\$ 2,021	\$ 1,956	\$ (65)
State Sources					
Federal Sources	51,779	1,777	53,556	40,110	(13,446)
Total Revenues	<u>52,898</u>	<u>2,679</u>	<u>55,577</u>	<u>42,066</u>	<u>(13,511)</u>
EXPENDITURES:					
Instruction					
Supplies and Materials	52,898	1,777	54,675	41,229	13,446
Other		902	902	837	65
Total Instruction	<u>52,898</u>	<u>2,679</u>	<u>55,577</u>	<u>42,066</u>	<u>13,511</u>
Support Services					
Personal Services - Employee Benefits					
Cleaning/Repair/Required Maintenance					
General Supplies					
Total Support Services					
Facilities Acquisition and Construction Services:					
Instructional Equipment					
Total Facilities Acquisition and Construction Services					
Total Expenditures	<u>52,898</u>	<u>2,679</u>	<u>55,577</u>	<u>42,066</u>	<u>13,511</u>
Other Financing Sources (Uses)					
Total Outflows	<u>52,898</u>	<u>2,679</u>	<u>55,577</u>	<u>42,066</u>	<u>13,511</u>
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET -TO-GAAP RECONCILIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Note A - Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenues and Expenditures**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1] \$ 8,065,499	[C-2] \$ 42,066
Difference - budget to GAAP: Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
	<hr/>	<hr/>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	[B-2] \$ 8,065,499	[B-2] \$ 42,066
	<hr/>	<hr/>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 7,440,560	[C-2] \$ 42,066
Differences - budget to GAAP Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
	<hr/>	<hr/>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	[B-2] \$ 7,440,560	[B-2] \$ 42,066
	<hr/>	<hr/>

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

SALEM COUNTY SPECIAL SERVICES DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULES OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

		<u>Totals</u>			
	<u>PSEG GRANT</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
REVENUES:					
Federal sources	\$	\$ 23,693	16,417	\$ 40,110	\$
State sources					
Other sources	1,956			1,956	4,651
Total Revenues	1,956	23,693	16,417	42,066	4,651
EXPENDITURES:					
Instruction:					
Salaries of Teachers					
Supplies and Materials	1,119	23,693	16,417	41,229	2,846
Other	837			837	150
Total Instruction	1,956	23,693	16,417	42,066	2,996
Support Services - General Administration:					
Supplies and Materials					1,655
Total Support Services					1,655
Facilities Acquisition and Construction Services:					
Instructional Equipment					
Total Facilities Acquisition and Construction Services					
Total Expenditures	\$ 1,956	\$ 23,693	16,417	\$ 42,066	\$ 4,651

CAPITAL PROJECTS FUND DETAIL STATEMENT

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Project Title/Issue</u>	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2014</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Building Improvement	October 1, 2009	\$ 6,000,000	\$ 5,972,266	\$ 27,734	\$

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

Revenues and Other Financing Sources

Bonds Issued by Salem County \$ _____

Total revenues _____

Expenditures and Other Financing Uses

Land and Improvements 27,734

Total expenditures 27,734

Excess (deficiency) of revenues over (under) expenditures (27,734)

Fund Balance - beginning 27,734

Fund Balance - ending \$ _____ -

PROPRIETARY FUND DETAIL STATEMENTS

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the district's board is that the costs of providing goods or services be financed through user charges.

Food Services Fund – This fund provides for the operation of food services in all schools within the school district.

Alternative High School Enterprise Fund – This fund provides for the operation of the District's Alternative High School.

Transportation Enterprise Fund – This fund provides for transportation services provided to other local educational associations.

Related Services Enterprise Fund – This fund provides for student support services which are provided to other local educational associations.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PROPRIETARY ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2014 AND 2013

	Child Study Team	Alternative Middle & High School Fund	Related Services Fund	One on One Aides	Nonpublic Interlocal Fund	Summer Programs	Early Intervention Program	Business Services Fund	Salem Campus	Regional Day School	Food Service Fund	Totals	
												2014	2013
ASSETS:													
Current Assets:													
Cash and cash equivalents	\$	\$ 117,988	\$ 66,828	\$	\$	\$ 212,881	\$ 10,793	\$ 14,911	\$ -	\$ 1,214,103	\$ 21,914	\$ 1,659,418	\$ 1,022,622
Accounts Receivable:													
State											245	245	264
Federal											15,077	15,077	17,361
Inventory													80
Intergovernmental	54,537	210,051	342,887	349,730	104,237	59,000				28,130		1,148,572	1,376,725
Other					28,956							28,956	
Total Current Assets	54,537	328,039	409,715	349,730	133,193	271,881	10,793	14,911	-	1,242,233	37,236	2,852,268	2,417,052
Fixed Assets													
Equipment	9,738				33,209					4,576		47,523	47,523
Less: Depreciation	(9,738)				(33,209)					(4,576)		(47,523)	(47,523)
Total Assets	54,537	328,039	409,715	349,730	133,193	271,881	10,793	14,911		1,242,233	37,236	2,852,268	2,417,052
LIABILITIES:													
Current Liabilities:													
Accounts Payable	3,057					264	10,793			4,233	15,196	33,543	698,650
Cash Overdraft	27,375			258,675	133,193							419,243	674,299
Interfund Payable										609,575	22,040	631,615	16,201
Total Current Liabilities	30,432			258,675	133,193	264	10,793			613,808	37,236	1,084,401	1,389,150
Net Position:													
Unrestricted	24,105	328,039	409,715	91,055		271,617		14,911	-	628,425		1,767,867	1,027,902
Total Net Position	\$ 24,105	\$ 328,039	\$ 409,715	\$ 91,055	\$ -	\$ 271,617	\$ -	\$ 14,911	\$ -	\$ 628,425	\$ -	\$ 1,767,867	\$ 1,027,902

EXHIBIT G-2
(1)

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PROPRIETARY ENTERPRISE FUNDS
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013**

	Child Study Team	Alternative Middle & High School Fund	Related Services Fund	One on One Aides	Nonpublic Interlocal Fund	Summer Programs	Early Intervention Program	Business Service Fund	Salem Campus	Regional Day School	Food Service Fund	Totals 2014	2013
OPERATING REVENUES:													
Local Sources:													
Daily sales - reimbursable programs:													
School lunch and breakfast program	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	6,332	\$ 6,332	\$ 5,416
Total daily sales - reimbursable programs											6,332	6,332	5,416
N.J. Dept of Human Services - Fees							545,758					545,758	592,433
Tuition		802,919				569,900			76,635	1,444,830		2,894,284	2,663,448
Non-Public School Program	35,555				153,771							189,326	835,888
Services provided other LEAs	1,127,749		951,276	914,247		69,000		23,800				3,086,072	3,514,930
Total Operating Revenue	1,163,304	802,919	951,276	914,247	153,771	638,900	545,758	23,800	76,635	1,444,830	6,332	6,721,772	7,612,115
OPERATING EXPENSES:													
Salaries	840,694	380,188	662,972	493,130	182,348	428,228	213,113			602,856		3,803,529	4,400,951
Employee benefits	270,884	117,172	155,935	330,062	98,337		42,721	8,981		207,371		1,231,463	1,387,283
Meetings								400				400	1,300
Purchased professional and technical services	13,344		53,056		11,086							77,486	74,636
Purchased Technical Services													6,020
Purchased Professional /Educ services		21,139				15,145	274,039			13,511		323,834	99,008
Purchased Professional Services		5,950					144,655					150,605	306,354
Purchased property services													
Rental of Buildings		127,206					7,740					134,946	124,371
Other purchased services						22,087	3,601			7,260		32,948	660,749
Communications Telephone							868					868	2,376
Supplies and materials	7,919	16,228	4,164		1,591	18,626	3,811			26,427		78,766	17,220
General Supplies											17,239	17,239	54,982
Travel	3,400		4,312		409		168					8,289	20,602
Cost of sales											95,588	95,588	66,414
Other objects										748		748	
Required Maintenance:													
Cleaning /Repair /Maintenance	2,261	332	2,261		4,061					69,424		78,339	19,602
Utilities	697				2,232	12,865						15,794	10,522
Bad Debt Expense							15,546					15,546	
Depreciation													4,725
Total Operating Expenses	\$ 1,139,199	\$ 668,215	\$ 882,700	\$ 823,192	\$ 300,064	\$ 496,951	\$ 706,262	\$ 9,381	\$ -	\$ 927,597	\$ 112,827	\$ 6,066,388	\$ 7,257,115

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PROPRIETARY ENTERPRISE FUNDS
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

	Child Study Team	Alternative Middle & High School Fund	Related Services Fund	One on One Aides	Nonpublic Interlocal Fund	Summer Programs	Early Intervention Program	Business Service Fund	Salem Campus	Regional Day School	Food Service Fund	<u>Totals</u>	
												2014	2013
Operating Income (Loss)	\$ 24,105	\$ 134,704	\$ 68,576	\$ 91,055	\$ (146,293)	\$ 141,949	\$ (160,504)	\$ 14,419	\$ 76,635	\$ 517,233	\$ (106,495)	\$ 655,384	\$ 355,000
Non-Operating Revenues:													
Local Sources - Board Subsidy											28,872	28,872	4,456
Prior Year Revenue Adjustment													
State Sources:													
State School Lunch Program											743	743	831
Other													
Federal Sources:													
School Breakfast Program											19,447	19,447	19,331
Food Distribution Program											3,345	3,345	3,416
National School Lunch Program											32,174	32,174	35,796
Total Non-Operating Revenues											84,581	84,581	63,830
Transfers			(71,494)		120,880		141,443		(212,743)		21,914		
Net Increase in Net Position	24,105	134,704	(2,918)	91,055	(25,413)	141,949	(19,061)	14,419	(136,108)	517,233	-	739,965	418,830
Net Position - July 1		193,335	412,633		25,413	129,668	19,061	492	136,108	111,192		1,027,902	609,072
Net Position - June 30	\$ 24,105	\$ 328,039	\$ 409,715	\$ 91,055	\$ -	\$ 271,617	\$ -	\$ 14,911	\$ -	\$ 628,425	\$ -	\$ 1,767,867	\$ 1,027,902

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

	Child Study Team	Alternative Middle & High School Fund	Related Services Fund	One on One Aides	Nonpublic Interlocal Fund	Summer Programs	Early Intervention Program	Business Services Fund	Salem Campus	Regional Day School	Food Service Fund	<u>Totals</u>	
												2014	2013
Cash Flows from Operating Activities:													
Operating income (loss)	\$ 24,105	\$ 134,704	\$ 68,576	\$ 91,055	\$ (146,293)	\$ 141,949	\$ (160,504)	\$ 14,419	\$ 76,635	\$ 517,233	\$ (106,495)	\$ 655,384	\$ 355,000
Adjustments to reconcile operating income (loss) to cash used by operating activities:													
Depreciation													4,725
Change in assets and liabilities:													
(Increase)/ decrease in accounts receivable	105,638	(70,402)	(14,848)	(220,771)	222,240	(53,000)	78,372	64,507		87,461	(15,322)	183,875	(573,580)
(Increase)/ decrease in inventory													
(Increase)/ decrease in prepaid expenses													
Increase/(decrease) in accounts payable	(23,282)	(6,678)	(13,348)	(20,219)	(10,609)	264	2,543	(2,764)		(604,706)	15,196	(663,603)	697,150
Increase/(decrease) in interfund payable										609,575	22,040	631,615	16,121
Increase/(decrease) in Unearned Revenue													
Net Cash Provided By (Used For)													
Operating Activities	106,461	57,624	40,380	(149,935)	65,338	89,213	(79,589)	76,162	76,635	609,563	(84,581)	807,271	499,416
Cash Flows from Noncapital Financing Activities:													
Board Subsidy											28,872	28,872	4,456
Cash received from state and federal reimbursements											55,709	55,709	59,374
Prior-Year Revenue Adjustment													
Transfer			(71,494)		120,880		141,443		(212,743)		21,914		
Net Cash Provided by (Used For)													
Noncapital Financing Activities			(71,494)		120,880		141,443		(212,743)		106,495	84,581	63,830
Cash Flows from Capital and Related Financing Activities													
Purchase of Capital Assets													
Net Cash Provided by (Used For) Capital and Related Financing Activities													
Net Decrease in Cash and Cash Equivalents	106,461	57,624	(31,114)	(149,935)	186,218	89,213	61,854	76,162	(136,108)	609,563	21,914	891,852	563,246
Cash and Cash Equivalents, July 1	(133,836)	60,364	97,942	(108,740)	(319,411)	123,668	(51,061)	(61,251)	136,108	604,540		348,323	(214,923)
Cash and Cash Equivalents, June 30	\$ (27,375)	\$ 117,988	\$ 66,828	\$ (258,675)	\$ (133,193)	\$ 212,881	\$ 10,793	\$ 14,911	\$ -	\$ 1,214,103	\$ 21,914	\$ 1,240,175	\$ 348,323

FIDUCIARY FUNDS DETAIL STATEMENTS

Fiduciary Funds are used to account for funds received by the school district for a specific purpose.

Agency Funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments an/or other funds.

Student Activity Fund – This agency fund is used to account for student funds held at the schools.

Payroll Fund – This agency fund is used to account for the payroll transactions of the school district.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

		Agency			
	Expendable Trust Funds	Student Activity	Payroll	Total 2014	Total 2013
ASSETS:					
Cash and Cash Equivalents	\$ 1,092	\$ 9,560	\$ 16,331	\$ 26,983	\$ 12,991
Total Assets	\$ 1,092	\$ 9,560	\$ 16,331	\$ 26,983	\$ 12,991
LIABILITIES:					
Payroll Deductions and Withholdings	\$	\$	\$ 391	\$ 391	\$ 7,246
Interfund Payables			15,940	15,940	468
Due to Student Groups		9,560		9,560	4,188
Total Liabilities		9,560	16,331	25,891	11,902
NET POSITION:					
Held in Trust for Unemployment Claims and Other Purposes	\$ 1,092	\$	\$	\$ 1,092	\$ 1,089

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
MEMORIAL EXPENDABLE TRUST FUND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:		
Local Sources		
Interest on Investments	\$ 1	\$ 2
OPERATING EXPENSES		
Withdrawals		
Operating Income (Loss)	1	2
Net Position - July 1,	1,091	1,089
Net Position - June 30,	\$ 1,092	\$ 1,091

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
SECURITY UPGRADES TO SCHOOL FACILITIES
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance July 1 2013</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Accounts Payable</u>	<u>Balance June 30 2014</u>
Alternative High School Authorized Cost	\$ 7,735	\$ 6,646	\$ 4,821	\$	\$ 9,560

SALEM COUNTY SPECIAL SERVICES DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>		<u>Additions</u>		<u>Deletions</u>		<u>Balance</u> <u>June 30, 2014</u>
ASSETS:							
Cash and Cash Equivalents	\$ 9,095	\$	8,198,730	\$	8,191,494	\$	16,331
Total Assets	<u>\$ 9,095</u>	<u>\$</u>	<u>8,198,730</u>	<u>\$</u>	<u>8,191,494</u>	<u>\$</u>	<u>16,331</u>
LIABILITIES:							
Payroll Deductions, Withholdings and Net Pay	\$ 8,334	\$	8,183,551	\$	8,191,494	\$	391
Interfund Payables	761		15,179				15,940
Total Liabilities	<u>\$ 9,095</u>	<u>\$</u>	<u>8,198,730</u>	<u>\$</u>	<u>8,191,494</u>	<u>\$</u>	<u>16,331</u>

STATISTICAL SECTION

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 1,095,947	\$ 1,077,938	\$ 1,047,320	\$ 1,037,489	\$ 6,580,711	\$ 6,756,746	\$ 5,748,409	\$ 5,688,910	\$ 5,409,991	\$ 5,706,980
Restricted	119,678	100,000	100,000	100,000	537,565	280,291	264,991	127,734	127,879	100,210
Unrestricted	195,814	184,865	172,917	359,640	384,306	352,606	282,342	201,606	190,537	691,176
Total Governmental Activities Net Position	\$ 1,411,439	\$ 1,362,803	\$ 1,320,237	\$ 1,497,129	\$ 7,502,582	\$ 7,389,643	\$ 6,295,742	\$ 6,018,250	\$ 5,728,407	\$ 6,498,366
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	\$	\$	\$	\$ 5,587	\$ 38,018	\$ 29,134	\$ 13,150	\$ 4,725	\$	\$
Restricted			3,790	6,161	10,088	4,554	1,050			
Unrestricted	930,427	1,207,935	1,314,064	2,005,361	2,128,152	1,665,766	1,089,764	604,347	1,027,902	1,767,867
Total Business-Type Activities Net Position	\$ 930,427	\$ 1,207,935	\$ 1,317,854	\$ 2,017,109	\$ 2,176,258	\$ 1,699,454	\$ 1,103,964	\$ 609,072	\$ 1,027,902	\$ 1,767,867
District-Wide										
Invested in Capital Assets, Net of Related Debt	\$ 1,095,947	\$ 1,077,938	\$ 1,047,320	\$ 1,043,076	\$ 6,618,729	\$ 6,785,880	\$ 5,761,559	\$ 5,693,635	\$ 5,409,991	\$ 5,706,980
Restricted	119,678	100,000	103,790	106,161	547,653	284,845	266,041	127,734	127,879	100,210
Unrestricted	1,126,241	1,392,800	1,486,981	2,365,001	2,512,458	2,018,372	1,372,106	805,953	1,218,439	2,459,043
Total District-Wide Net Position	\$ 2,341,866	\$ 2,570,738	\$ 2,638,091	\$ 3,514,238	\$ 9,678,840	\$ 9,089,097	\$ 7,399,706	\$ 6,627,322	\$ 6,756,309	\$ 8,266,233

Source: CAFR Schedule A-1

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities										
Instruction										
Regular	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Special Education	1,047,034	1,122,846	1,237,510	942,183	1,360,947	1,731,368	2,135,308	2,221,475	1,958,322	2,530,644
Support Services										
Student and Instruction Related Services	314,486	140,711	129,621	94,409	224,344	277,711	249,218	266,142	621,856	773,586
General Administrative Services	307,052	342,556	192,934	217,877	174,791	99,999	165,842	213,976	136,533	234,695
School Administrative Services	151,938	154,922	161,042	143,233	210,138	213,903	237,011	235,496	387,163	321,197
Central Services and Info. Technology			102,205	63,481	101,416	113,430	166,174	196,259	258,205	382,090
Plant Operations and Maintenance	243,453	277,089	297,945	246,768	431,645	613,757	406,797	422,323	450,729	518,957
Pupil Transportation	28,516	23,337	32,782	21,520	29,615	28,911	23,487	63,879	44,474	62,599
Employee Benefits	620,784	653,436	1,020,574	933,288	1,104,636	1,397,518	1,537,040	1,940,825	2,274,698	2,672,058
Interest on Long-Term Debt										
Unallocated Depreciation and Amortization	30,442	32,351	34,138	40,485	116,025	134,182	162,619	196,756	196,756	280,675
Total Governmental Activities Expenses	2,743,705	2,747,248	3,208,751	2,703,244	3,753,557	4,610,779	5,083,496	5,757,131	6,328,736	7,776,501
Business-Type Activities										
Food Service	43,239	40,362	40,182	35,613	47,649	60,405	73,682	73,800	84,634	112,827
Other Enterprise	2,410,189	2,848,785	3,373,834	5,098,138	6,149,082	6,896,272	7,198,668	6,420,093	7,172,481	5,953,561
Total Business-Type Activities Expense	2,453,428	2,889,147	3,414,016	5,133,751	6,196,731	6,956,677	7,272,350	6,493,893	7,257,115	6,066,388
Total District Expenses	\$ 5,197,133	\$ 5,636,395	\$ 6,622,767	\$ 7,836,995	\$ 9,950,288	\$ 11,567,456	\$ 12,355,846	\$ 12,251,024	\$ 13,585,851	\$ 13,842,889
Program Revenues										
Governmental Activities										
Operating Grants and Contributions	\$ 11,691	\$ 237,732	\$ 480,433	\$ 491,156	\$ 569,471	\$ 611,956	\$ 693,365	\$ 916,594	\$ 1,092,617	\$ 948,873
Total Governmental Activities Program Revenues	11,691	237,732	480,433	491,156	569,471	611,956	693,365	916,594	1,092,617	948,873
Business-Type Activities										
Charges for Services										
Food Service	8,041	7,068	5,227	3,036	3,958	7,214	6,903	7,843	5,416	6,332
Other Enterprise	2,700,853	3,127,391	3,576,437	5,871,287	6,370,164	6,577,159	6,805,153	5,912,621	7,606,699	6,715,440
Operating Grants and Contributions	24,662	23,372	20,846	23,077	30,187	42,865	56,597	61,030	59,374	55,709
Total Business-Type Activities Program Revenues	2,733,556	3,157,831	3,602,510	5,897,400	6,404,309	6,627,238	6,868,653	5,981,494	7,671,489	6,777,481
Total District Program Revenues	\$ 2,745,247	\$ 3,395,563	\$ 4,082,943	\$ 6,388,556	\$ 6,973,780	\$ 7,239,194	\$ 7,562,018	\$ 6,898,088	\$ 8,764,106	\$ 7,726,354
Net (Expense)/Revenue										
Governmental Activities	\$ (2,732,014)	\$ (2,509,516)	\$ (2,728,318)	\$ (2,212,088)	\$ (3,184,086)	\$ (3,998,823)	\$ (4,390,131)	\$ (4,840,537)	\$ (5,236,119)	\$ (6,827,628)
Business-Type Activities	280,128	268,684	188,494	763,649	207,578	(329,439)	(403,697)	(512,399)	414,374	711,093
Total District-Wide Net Expense	\$ (2,451,886)	\$ (2,240,832)	\$ (2,539,824)	\$ (1,448,439)	\$ (2,976,508)	\$ (4,328,262)	\$ (4,793,828)	\$ (5,352,936)	\$ (4,821,745)	\$ (6,116,535)
General Revenues and Other Changes in Net Position										
Governmental Activities										
Property Taxes Levied for General Purposes, net	272,611	280,789	303,117	315,242	315,242	305,000	305,000	305,000	275,000	241,875
Unrestricted Grants and Contributions	211,067	654	5,353							
Tuition Received	2,237,979	2,220,440	2,395,832	2,088,533	2,853,686	3,421,523	3,668,047	4,240,117	4,531,572	6,884,244
Investment Earnings	1,863	1,545	1,644	7,234	16,208	7,004	3,860	2,744	1,513	2,098
Shared Services Revenue										
Miscellaneous Income	(1,354)	6,843	2,389	2,313	8,415	14,856	17,915	25,052	14,800	30,475
Compensated Absences		(40,567)								
Fixed Assets Adjustment				1,251	6,005,507		(879,352)			467,767
Transfers	(9,130)	(8,824)	(10,925)	(13,468)	(9,519)	137,501	180,760	(9,868)	(4,456)	(28,872)
Total Governmental Activities	2,713,036	2,460,880	2,697,410	2,401,105	9,189,539	3,885,884	3,296,230	4,563,045	4,946,276	7,597,587
Business-Type Activities										
Prior Year Revenue Adjustment			(89,500)	(77,862)	(57,948)	(9,864)	(11,033)	7,639		
Transfer	9,130	8,824	10,925	13,468	9,519	(137,501)	(180,760)	9,868	4,456	28,872
Total Business-Type Activities	9,130	8,824	(78,575)	(64,394)	(48,429)	(147,365)	(191,793)	17,507	4,456	28,872
Total District-Wide	\$ 2,722,166	\$ 2,469,704	\$ 2,618,835	\$ 2,336,711	\$ 9,141,110	\$ 3,738,519	\$ 3,104,437	\$ 4,580,552	\$ 4,950,732	\$ 7,626,459
Change in Net Position										
Governmental Activities	\$ (18,978)	\$ (48,636)	\$ (30,908)	\$ 189,017	\$ 6,005,453	\$ (112,939)	\$ (1,093,901)	\$ (277,492)	\$ (289,843)	\$ 769,959
Business-Type Activities	289,258	277,508	109,919	699,255	159,149	(476,804)	(595,490)	(494,892)	418,830	739,965
Total District-Wide	\$ 270,280	\$ 228,872	\$ 79,011	\$ 888,272	\$ 6,164,602	\$ (589,743)	\$ (1,689,391)	\$ (772,384)	\$ 128,987	\$ 1,509,924

Source: CAFR Schedule A-2

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Restricted	\$ 119,678	\$ 101,472	\$ 100,000	\$ 222,729	\$ 210,626	\$ 157,811	\$ 100,000	\$ 100,000	\$	
Maintenance Reserve									100,000	100,000
Assigned:										
Year-end Encumbrances									145	210
Subsequent Year's Expenditures										
Unrestricted -v Unassigned	216,951	245,097	277,280	283,586	322,185	339,065	356,967	310,441	190,537	786,539
Total General Fund	<u>\$ 336,629</u>	<u>\$ 346,569</u>	<u>\$ 377,280</u>	<u>\$ 506,315</u>	<u>\$ 532,811</u>	<u>\$ 496,876</u>	<u>\$ 456,967</u>	<u>\$ 410,441</u>	<u>\$ 290,682</u>	<u>\$ 886,749</u>
All Other Governmental Funds										
Restricted	\$	\$	\$	\$	\$	\$ 114,762	\$ 114,762	\$	\$	
Unrestricted, Reported in:										
Special Revenue Fund										
Capital Projects Fund					437,565	65,529	50,229	27,734	27,734	
Total All Other Governmental Funds	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 437,565</u>	<u>\$ 180,291</u>	<u>\$ 164,991</u>	<u>\$ 27,734</u>	<u>\$ 27,734</u>	<u>\$</u>

Source: CAFR Schedule B-1

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
County Tax Levy	\$ 272,611	\$ 280,789	\$ 291,459	\$ 303,117	\$ 315,242	\$ 305,000	\$ 305,000	\$ 305,000	\$ 275,000	\$ 241,875
Tuition Charges	2,237,979	2,220,440	2,395,832	2,088,533	2,853,686	3,421,523	3,668,047	4,240,117	4,531,572	6,884,244
Interest Earnings			1,644	7,234	16,208	7,004	3,860	2,744	1,513	2,098
Shared Services Revenue									127,847	
Miscellaneous	509	8,388	2,389	2,313	8,415	19,380	21,845	25,072	19,451	32,431
Other Sources		3,500								
State Sources	222,257	234,232	431,513	491,156	524,485	594,233	673,773	872,592	1,087,966	906,807
Federal Sources	501	654	54,273		44,986	13,199	15,662	43,982		40,110
Total Revenues	2,733,857	2,748,003	3,177,110	2,892,353	3,763,022	4,360,339	4,688,187	5,489,507	6,043,349	8,107,565
Expenditures										
Instruction										
Regular										
Special Education Instruction	1,047,034	1,122,846	1,237,510	942,183	1,360,947	1,731,368	2,135,308	2,221,475	1,958,322	2,530,644
Support Services										
Student and Instruction Related Services	314,486	140,711	129,621	94,409	224,344	277,711	249,218	266,142	621,856	773,586
General Administrative Services	151,938	146,397	192,934	217,877	174,791	99,999	165,842	213,976	136,533	234,695
School Administrative Services	202,142	154,922	161,042	143,233	210,138	213,903	237,011	235,496	387,163	321,197
Central Services	104,910	196,159	101,745	61,493	96,999	100,148	120,192	159,464	207,230	303,466
Administrative Information Tech, Serv			460	1,988	4,417	13,282	45,982	36,795	50,975	78,624
Plant Operations and Maintenance	243,453	277,089	297,945	246,768	431,645	613,757	406,797	422,323	450,729	518,957
Pupil Transportation	28,516	23,337	32,782	21,520	29,615	28,911	23,487	63,879	44,474	62,599
Unallocated Employee Benefits	615,791	653,436	977,915	990,976	1,102,806	1,401,753	1,506,685	1,906,615	2,301,370	2,658,858
Capital Outlay	24,351	14,342	3,520	25,194	5,653,740	310,217	33,634	137,257		27,734
Total Expenditures	2,732,621	2,729,239	3,135,474	2,745,641	9,289,442	4,791,049	4,924,156	5,663,422	6,158,652	7,510,360
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,236	18,764	41,636	146,712	(5,526,420)	(430,710)	(235,969)	(173,915)	(115,303)	597,205
Other Financing Sources (Uses)										
Bond Proceeds					6,000,000					
Cancellation of Prior Year Receivables				(4,209)						
Transfers	(9,130)	(8,824)	(10,925)	(13,468)	(9,519)	137,501	180,760	(9,868)	(4,456)	(28,872)
Total Other Financing Sources (Uses)	(9,130)	(8,824)	(10,925)	(17,677)	5,990,481	137,501	180,760	(9,868)	(4,456)	(28,872)
Net Change in Fund Balances	\$ (7,894)	\$ 9,940	\$ 30,711	\$ 129,035	\$ 464,061	\$ (293,209)	\$ (55,209)	\$ (183,783)	\$ (119,759)	\$ 568,333
Debt Service as a Percentage of Noncapital Expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: CAFR Schedule B-2

EXHIBIT J-5

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Interest on Investments	Tuition Revenue	Rent	Refund of Prior Year Expenditure	Shared Service Revenue	Misc.	Total
2014	\$ 2,098	\$ 6,884,244	\$	\$	\$	\$ 30,475	\$ 6,916,817
2013	1,513	4,531,572			127,847	14,800	4,675,732
2012	2,744	4,240,117	14,450	3,106		7,496	4,267,913
2011	3,860	3,668,047				16,471	3,688,378
2010	7,004	3,421,523				14,856	3,443,383
2009	16,208	2,853,686				8,415	2,878,309
2008	7,234	2,088,533		2,049		264	2,098,080
2007	1,644	2,395,832				2,389	2,399,865
2006	1,545	2,220,440		289		6,554	2,228,828
2005	1,863	2,237,979				(1,354)	2,238,488

Source: District Records

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

<u>Year</u>		<u>Population ^a</u>		<u>Personal Income (thousands of dollars) ^b</u>		<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2014	**	64,997	\$	2,807,950,671	\$	43,201	8.8%
2013		65,166		2,787,377,901		42,774	10.6%
2012		65,774		2,785,528,900		42,350	11.0%
2011		65,902		2,714,635,184		41,192	10.8%
2010		65,996		2,632,514,444		39,889	11.3%
2009		66,342		2,596,493,196		39,138	10.7%
2008		66,194		2,598,379,276		39,254	6.3%
2007		65,981		2,451,721,998		37,158	4.9%
2006		65,929		2,340,941,003		35,507	5.0%
2005		65,465		2,214,288,160		33,824	4.8%

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income

^c Per Capita Source: Regional Economic Information System

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

** Estimates

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Instruction										
Regular				1	1	1	2	3	3	3
Special education	14	15	14	15	16	16	20	21	21	21
Other special education	20	23	17	20	27	27	27	26	26	26
Vocational										
Other instruction										
Support Services:										
Tuition										
Student & instruction related services	8	8 *	17	18	18	20	20	20	20	20
General administrative services	1	1	1	1	1	1	1	1	1	1
School administrative services	2	2	2	2	2	2	2	2	2	2
Business administrative services	1	1			1.25	2.5	2.5	2.5	2.5	2.5
Plant operations and maintenance								2	2	2
Pupil transportation										
Food Service										
Total	46	50	51	57	66.25	69.5	74.5	77.5	77.5	77.5

* Increase in Child Study Team Staff

Source: District Personnel Records

School Aide Position Report as of 9/30 each year.

Certified Staff report as of 10/15 each year.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio					Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Behavioral Disability	Emotionally Disturbed	Cognitive - Severe	Autistic	Multi- Handicapped				
2014	286	\$ 7,510,360	\$ 26,260	-46.15%	26	5.0:1	4.0:1	3.0:1	6.0:1	5.0:1	235.4	204.9	52.26%	87.04%
2013	154	7,510,360	48,769	50.03%	26	5.0:1	4.0:1	3.0:1	6.0:1	5.0:1	154.6	142.7	-4.09%	92.30%
2012	170	5,526,165	32,507	13.00%	26		4.0:1	3.0:1	6.0:1	5.0:1	161.2	151.8	0.19%	94.17%
2011	170	4,890,522	28,768	-30.02%	26		6.0:1	3.0:1	5.0:0	9.0:0	160.9	149.5	15.18%	92.91%
2010	109	4,480,832	41,109	-5.02%	25		5.0:1	7.0:1	6.0:0	4.0:0	139.7	128.5	17.59%	91.98%
2009	84	3,635,702	43,282	32.05%	17		6.0:1	6.0:1	4.0:1	5.0:1	118.8	91.9	39.93%	77.36%
2008	83	2,720,447	32,776	2.56%	15		7.0:1	5.0:1	4.0:1	3.4:0	84.9	90.6	-0.82%	106.71%
2007	98	3,131,954	31,959	-2.30%	14		7.0:1	5.0:1	5.5:1	3.7:1	85.6	79.1	15.21%	92.41%
2006	83	2,714,897	32,710	6.89%	15		5.4:1	4.7:1	5.2:1	3.6:1	74.3	93.8	-17.17%	126.24%
2005	89	2,708,270	30,602	-4.95%	14		6.0:1	5.0:1	6.0:1	5.0:1	89.7	83.3	-7.05%	92.87%

Sources: District records, ASSA and Schedules J-12, J-14

Note: Enrollment based on June Student Placement Report

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-4
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>District Building</u>										
<u>Elementary, Middle & High</u>										
Daretown										
Square Feet	22,464	22,464	22,464	22,464	22,464	22,464	22,646	22,646	22,646	22,646
Capacity (students)	80	80	80	80	80	80	80	80	80	80
Enrollment	41	44	38	48	48	49	47	44	48	45
Cumberland										
Square Feet					32,619	32,619	32,619	32,619	32,619	32,619
Capacity (students)					80	80	80	80	80	80
Enrollment					24	60	43	55	54	75

Other

Administration Building
 Square Feet
Transportation
 Square Feet
Maintenance Offices
 Square Feet

Number of Schools at June 30, 2013

 Elementary = 2
 Middle School = 2
 High School = 2
 Other =

Source: District records, ASSA

Note: Increases in square footage and capacity are the result of additions.
 Enrollment is based on the student placement report 6/20/10.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Company	Type of Coverage	Coverage	Deductible
NJSBAIG	School Package Policy		
	Blanket Building & Personal Property	\$ 10,202,142	\$ 1,000
	Comprehensive General Liability		
	Products and Completed Operations Limit	11,000,000	
	Personal Advertising Injury Limit	11,000,000	
	Bodily Injury and Property Damage	11,000,000	
	Commercial Inland Marine		
	Blanket Hardware and Software	285,000	1,000
	Boiler & Machinery - Property & Extra Expense		
	Combined Single Limit per Accident and Property Damage	100,000,000	1,000
	Commercial Crime Section		
	Employee Dishonesty Coverage	100,000	1,000
	Comprehensive Automobile Liability		
	Combined Single Limit	11,000,000	
	School District Legal Liability		
	Limit of Liability	11,000,000	
	Insured Retained Limit	5,000	
	Workman's Compensation Policy		
	Bodily Injury by Accident	2,000,000	
	Bodily Injury by Disease	2,000,000	
	Bodily Injury by Disease	2,000,000	
Fireman's Fund Indemnity Corp.	Excess Liability		
	Limits of Insurance (Occurrence)	50,000,000	
Berkley Ins. Co./McClosky	Aggregate Limit	50,000,000	
	Student Accident Policy		
Markel Insurance Company	Full Excess Maximum Benefit Amount	1,000,000	
	Catastrophic Student Accident Coverage		
Ohio Casualty Ins Co.	Accident Medical Expense - Maximum per Participant	5,000,000	
	Catastrophic Cash Benefit - Maximum Benefit	500,000	
Ohio Casualty Ins Co.	Surety Bonds		
	Business Administrator	10,000	
	Treasurer	150,000	

Source: District Records

SINGLE AUDIT SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

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November 18, 2014

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Salem County Special Services School District
County of Salem, New Jersey 08079

We have audited the financial statements of the governmental activities, the business – type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Salem County Special Services School District, in the County of Salem, State of New Jersey, as of and for the fiscal year ended June 30, 2014, which collectively comprise the Board of Education of the Salem County Special Services School District's basic financial statements and have issued our report thereon dated November 18, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the office of School Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Board of Education of the Salem County Special Services School District, in the County of Salem, State of New Jersey, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Salem County Special Services Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Salem County Special Services Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Salem County Special Services Board of Education's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified three deficiencies in internal control over financial reporting that we consider to be a material weakness, as labeled 2014-1, 2 and 3. We also noted one other matter involving internal control that we have reported to the Salem County Special Services Board of Education in a separate report entitled, *Auditor's Management Report on Administrative Findings, Compliance and Performance* dated November 18, 2014.

Compliance and Other Matters

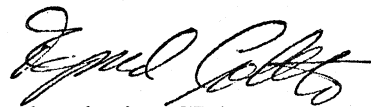
As part of obtaining reasonable assurance about whether the Salem County Special Services Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. However, we noted four other matters that were reported to the Board of Education of the Salem County Special Services in a separate report entitled, *Auditor's Management Report on Administrative Findings-Financial Compliance and Performance* dated November 20, 2014.

Purpose of this Report

This report is intended solely for the information and use of the audit committee, management, the Salem County Special Services Board of Education, the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA
Licensed Public School Accountant
No. 915

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November 18, 2014

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF FINANCIAL ASSISTANCE REQUIRED BY NEW JERSEY OMB CIRCULAR 04-04

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Salem County Special Services School District
County of Salem, New Jersey 08079

Report on Compliance for Each Major Program

We have audited the Board of Education of the Salem County Special Services School District, in the County of Salem, State of New Jersey, compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major state programs for the fiscal year ended June 30, 2014. The Salem County Special Services Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the Salem County Special Services Board of Education's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Salem County Special Services Board of Education's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Salem County Special Services Board of Education's compliance with those requirements.

Opinion on Each Major Program

In our opinion, the Board of Education of the Salem County Special Services School District, in the County of Salem, State of New Jersey, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Salem County Special Services School District's Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered Salem County Special Services Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major state program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with NJ OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Salem County Special Services School District's Board of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a major program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Board of Education of the Salem County Special Services School District, in the County of Salem, State of New Jersey, responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned cost. We did not audit the Board of Education of the Salem County Special Services School District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the audit committee, management, the Salem County Special Services Board of Education, the New Jersey State Department of Education, other state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA
Licensed Public School Accountant
No. 915

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, SCHEDULE A
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2013	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Balance at June 30, 2014		
				From	To					(Accounts Receivable)	Unearned Revenue	Due to Grantor
Enterprise Fund:												
School Breakfast Program	10.553	N/A	\$19,447	7/1/13	6/30/14	\$	\$	\$ 13,620	\$ (19,447)	\$ (5,827)	\$	\$
School Breakfast Program	10.553	N/A	19,331	7/1/12	6/30/13	(6,096)		6,096				
Food Distribution Program	10.565	N/A	3,345	7/1/13	6/30/14			3,345	(3,345)			
National School Lunch Program	10.555	N/A	35,796	7/1/12	6/30/13	(11,265)		11,265				
National School Lunch Program	10.555	N/A	32,174	7/1/13	6/30/14			22,924	(32,174)	(9,250)		
						(17,361)		57,250	(54,966)	(15,077)		
U.S. Department of Agriculture												
Passed-through State Department of Education:												
Special Revenue Fund:												
REAP - II	84.358B	S358A136158	\$23,693	7/1/13	9/30/14				(\$23,693)	(23,693)		
REAP - II	84.358B	S358A126158	25,205	7/1/12	9/30/13				(16,417)	(16,417)		
									(40,110)	(40,110)		
Total Federal Awards						\$ (17,361)	\$	\$ 57,250	\$ (95,076)	\$ (55,187)	\$	\$

The accompanying Notes to Financial Statements and Notes to the Schedules of Financial Assistance are an integral part of this schedule.

A Single Audit was not required in accordance with OMB Circular A-133 since the total of all federal grant expenditures was less than \$500,000.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE, SCHEDULE B
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2013		Cash Received	Budgetary Expenditures	Balance at June 30, 2014			Cumulative Total Expenditures
				Unearned Revenue (Accounts Receivable)	Due to Grantor			(Accounts Receivable)	Unearned Revenue/ Interfund Payable	Due to Grantor	
State Department of Education:											
General Fund											
On Behalf TPAF Pension Contribution	14-495-034-5095-007	\$ 221,208	7/1/13- 6/30/14			\$ 221,208	\$ (221,208)				* \$ 221,208
On Behalf TPAF Post Retirement Med'l. Contr	14-495-034-5095-001	362,697	7/1/13- 6/30/14			362,697	(362,697)				* 362,697
Reimbursed TPAF Social Security Contrib.	14-495-034-5095-002	322,902	7/1/13- 6/30/14			306,987	(322,902)	\$ (15,915)			* 322,902
Reimbursed TPAF Social Security Contrib.	13-495-034-5095-002	376,054	7/1/12- 6/30/13	\$ (17,497)		17,497					
				(17,497)		908,389	(906,807)	(15,915)			906,807
Special Revenue Fund											
State Department of Education:											
Food Service Enterprise Fund											
State Department of Agriculture:											
National School Lunch Program (State Share)	14-100-010-3350-023	743	7/1/13- 6/30/14			498	(743)	(245)			* 743
National School Lunch Program (State Share)	13-100-010-3350-023	831	7/1/12- 6/30/13	(264)		264					
				(264)		762	(743)	(245)			743
Total State Financial Assistance				\$ (17,761)		\$ 909,151	\$ (907,550)	\$ (16,160)			\$ 907,550

The accompanying Notes to Financial Statements and Notes to the Schedules of Financial Assistance are an integral part of this schedule.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2014

NOTE 1: GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Salem County Special Services School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies are included on the schedules of expenditures of federal awards and state financial assistance.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits for States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to *N.J.S.A.*, 18A:22-44.2. For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with *N.J.S.A.*, 18A:22-44.2.

There were no net adjustments to reconcile from the budgetary basis to the GAAP basis for the general or special revenue funds. See Note 1 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT.
NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2014

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 906,807	\$ 906,807
Special Revenue Fund	40,110	-	40,110
Food Service Fund	54,966	743	55,709
Enterprise Funds Fund	<u>0</u>	<u>630,261</u>	<u>630,261</u>
Total Awards & Financial Assistance	\$ <u>95,076</u>	\$ <u>1,537,811</u>	\$ <u>1,632,887</u>

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5: FEDERAL AND STATE LOANS OUTSTANDING

The Salem County Special Services School District had no outstanding loans at June 30, 2014.

NOTE 6: OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2014. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2014.

NOTE 7: SCHOOLWIDE PROGRAM FUNDS

As the District's Federal Programs are on a targeted student group basis, there are no schoolwide programs in the District.

NOTE 8: MAJOR PROGRAMS

The award designated as a major program is identified in the Summary of Auditor's Results Section of the Schedule of Findings and Questioned Cost.

NOTE 9: ADJUSTMENTS

There were no adjustments included on Schedule A and B.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- 1) Material weakness (es) identified? X yes no
- 2) Significant deficiencies identified? yes X ^{none} reported

Noncompliance material to basic financial statements noted? yes X no

Federal Awards N/A

Internal control over major programs:

- 1) Material weakness (es) identified? yes no
- 2) Significant deficiencies identified? yes ^{none} reported

Type of auditor's report issued on compliance for major programs:

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133? yes no

 CFDA Number(s) **Name of Federal Program or Cluster**

No Major Federal Programs

Dollar threshold used to distinguish between type A and type B programs: N/A

Auditee qualified as low-risk auditee? X yes no

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)**

Section II - Financial Statement Findings

Finding: NONE

Criteria or specific requirement:

Condition:

Context:

Effect:

Cause:

Recommendation:

Management's response:

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONT'D)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs (continued)**

FEDERAL AWARDS

Finding: NONE

Information on the state program:

Criteria or specific requirement:

Condition:

Questioned Costs:

Effect:

Cause:

Recommendation:

Management's response:

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONT'D)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs (continued)**

STATE AWARDS

Finding: NONE

Information on the state program:

Criteria or specific requirement:

Condition:

Questioned Costs:

Context:

Effect:

Cause:

Recommendation:

Management's response:

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

This section identifies the status of prior - year findings related to the general - purpose financial statements and Federal and State awards that are required to be reported in accordance with Chapter 6.12 Government Auditing Standards, US OMB Circular A-133 (Section .315 (a)(b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR - YEAR FINDINGS

Financial Statements

Finding: 2013-4

Condition:

Fixed asset records were not updated and as a result, amounts were reported based on the prior year.

Current Status

Corrective action has been taken.